

Lebanese Eurobonds Yields Up but US Treasury Down Amid Possible Easing of Geo-Political Tensions



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| | 11/06/2026 | 04/06/2026 | Change | Year to Date |
|------------------------------|------------|------------|--------|--------------|
| BLOM Bond Index (BBI) | 26.62 | 27.74 | -4.02% | 10.53% |
| Weighted Yield | 61.90% | 59.55% | 3.94% | -8.73% |
| Weighted Spread | 5,805.42 | 5,573.39 | 4.16% | -9.73% |

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), fell by **4.02%** over the course of the week ending **June 11th 2026**, closing at **26.62 points**, driven by prolonged war in Southern Lebanon and return of US strikes on Iran. Despite the weekly decrease, BBI improved considerably by 10.53% YTD. And as bond prices decrease, yields increase and so the weighted yield rose by **394** basis points to **61.90%**.

In Lebanon, this week was categorized by a fragile security environment and recurrent economic challenges. Security developments remained closely linked to regional geo-political tensions, monitoring the possible spillover effects of wider Middle Eastern conflicts despite signs of diplomatic efforts aimed at reducing hostilities. Economically, the country continued to face pressure from continued direct and indirect losses resulting from the continued war between Hezbollah and Israel. Rising global energy prices and regional uncertainty added to inflationary risks and weighed on market sentiment. Political and security tensions shifted attention far from financial and economic reforms that were put as a priority before the restart of the war.

On the political front, no advancement in the talks between the Lebanese State and Hezbollah regarding unofficial armed groups and submitting all weapons to the Lebanese Official Army. Direct talks between Lebanon and Israel in Washington is persistent despite the war in Southern Lebanon.

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| | 11/06/2026 | 04/06/2026 | Change |
|-----------------------|------------|------------|--------|
| BBI | 26.62 | 27.74 | -4.02% |
| JP Morgan EMBI | 1039.77 | 1040.97 | -0.12% |
| 5Y LEB | 47.90% | 46.20% | 170 |
| 10Y LEB | 32.40% | 31.20% | 120 |
| 5Y US | 4.18% | 4.18% | - |
| 10Y US | 4.45% | 4.47% | (2) |
| 5Y SPREAD | 4,372 | 4,202 | 170 |
| 10Y SPREAD | 2,795 | 2,673 | 122 |

In the U.S., 10-year Treasury yields declined marginally over the course of the week, it decreased by 2 basis points to record 4.45% despite mounting inflationary pressures. As for the 5-year bonds, yield was maintained at 4.18%.

Inflation data pointed to a continued acceleration in price growth, as headline CPI mounted to 4.2% year-over-year in May 2026, being highest level in over three years, driven mainly by an acute surge in energy prices related to geopolitical tensions in the Middle East. Producer price inflation (PPI) also increased, reaching 6.5%, the highest reading since late 2022, highlighting enduring upstream cost pressures. Nonetheless, Treasury markets found support from easing oil prices amid growing optimism that diplomatic progress in the region could reduce the risk of further energy supply disruptions. This was revealed by yesterday's news that an agreement between the United States and Iran is closer than ever.

The decline in yields suggests that improving geopolitical sentiment and moderating energy market concerns outweighed the inflationary implications of recent economic data, while investors remained attentive to labor market developments and their potential impact on the future path of monetary policy.

Latest data from US Department of Labor revealed that initial jobless claims rose by 4,000 to 229k on the first week of June despite the expectations of a drop to 209k. Moreover, continuing jobless claims in the United States rose from 1,771k in to 1,795k in the week ending May 30th, 2026. Also, US's 4-week moving average for initial jobless claims, that dismisses week-to-week volatility, advanced to 219k in June 6 compared to 214.75k in the prior week.

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Geo-political tensions in the Middle East rose this week after weeks of cease-fire as Iran launched missiles on Israel after the latter did a strike on apartments in Southern suburbs of Beirut. Later on, United States forces waged several strikes on Iran for a couple of days for the purpose of pressuring Iran to agree on US's version of agreement.

As such, markets are currently pricing a 97.4% probability of keeping rates unchanged at 3.5% - 3.75% in the next FOMC meeting as shown in the CME Group Fedwatch table below. It is to be noted that next FOMC meeting will be the first meeting that New Federal Reserve Chair Kevin Warsh will hold.

| Target Rate (bps) | Probability(%) | | | |
|-------------------|----------------|----------------------|----------------------|------------------------|
| | Now * | 1 Day 11 Jun 2026 | 1 Week 5 Jun 2026 | 1 Month 12 May 2026 |
| 325-350 | 3.6% | 2.6% | 2.8% | 1.9% |
| 350-375 (Current) | 96.4% | 97.4% | 97.2% | 98.1% |

* Data as of 12 Jun 2026 04:10:22 CT

5Y Credit Default Swaps (CDS)

| | 11/06/2026 | 04/06/2026 |
|--------|------------|------------|
| KSA | 62.91 | 61.75 |
| Dubai | 74.92 | 77.11 |
| Brazil | 125.84 | 120.95 |
| Turkey | 240.17 | 239.13 |

Source: Bloomberg

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| Maturity | Coupon in % | Prices | | Weekly | Yields | | Weekly |
|------------|-------------|------------|------------|--------|------------|------------|------------|
| | | 11/06/2026 | 04/06/2026 | Change | 11/06/2026 | 04/06/2026 | Change bps |
| 29/11/2027 | 6.75% | 25.437 | 26.342 | -3.44% | 137.07% | 131.04% | 603.99 |
| 20/03/2028 | 7.00% | 25.32 | 26.391 | -4.06% | 112.29% | 107.17% | 511.36 |
| 03/11/2028 | 6.65% | 25.329 | 26.326 | -3.79% | 83.11% | 79.94% | 316.94 |
| 25/05/2029 | 6.85% | 25.351 | 26.326 | -3.70% | 69.34% | 66.93% | 241.46 |
| 27/11/2029 | 11.50% | 25.447 | 26.385 | -3.56% | 73.05% | 70.77% | 227.92 |
| 26/02/2030 | 6.65% | 25.424 | 26.404 | -3.71% | 56.82% | 54.92% | 189.12 |
| 22/04/2031 | 7.00% | 25.562 | 26.73 | -4.37% | 47.26% | 45.53% | 172.84 |
| 20/11/2031 | 7.15% | 25.686 | 26.729 | -3.90% | 44.19% | 42.76% | 143.25 |
| 23/03/2032 | 7.00% | 25.541 | 26.795 | -4.68% | 42.30% | 40.67% | 162.58 |
| 17/05/2033 | 8.20% | 26.564 | 27.763 | -4.32% | 40.29% | 38.85% | 143.95 |
| 17/05/2034 | 8.25% | 26.365 | 27.769 | -5.06% | 38.30% | 36.70% | 160.42 |
| 27/07/2035 | 12.00% | 26.203 | 27.203 | -3.68% | 48.24% | 46.64% | 160.49 |
| 02/11/2035 | 7.05% | 26.14 | 27.267 | -4.13% | 32.64% | 31.52% | 111.47 |
| 23/03/2037 | 7.25% | 26.114 | 27.244 | -4.15% | 31.62% | 30.52% | 110.60 |

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