

Lebanon Bonds Slip as Reform Stalls; Treasury Yields Rise as Fed Stays Hawkish



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Contact Information

Mira Said

Research Associate I

mira.said@blominvestbank.com

	02/07/2026	26/06/2026	Weekly Change	Year to Date
BLOM Bond Index (BBI)	26.45	26.46	-0.02%	9.40%
Weighted Yield	63.44%	63.02%	0.66%	-6.46%
Weighted Spread	5,947.39	5,906.26	0.70%	-7.52%

The **BLOM Bond Index (BBI)**, which tracks defaulted Lebanese government Eurobonds that haven't matured yet (excluding coupon payments), marginally fell by 0.02% week-to-date to 26.45 points on July 2, 2026.

Bond prices are now trading between 24.99¢ and 26.61¢ on the dollar for maturities ranging from 2027 to 2037.

Maturity	Coupon in %	Prices		Weekly Change
		02/07/2026	26/06/2026	
29/11/2027	6.75	24.99	25.01	-0.09%
20/03/2028	7	25.02	25.15	-0.50%
03/11/2028	6.65	25.14	25.03	0.44%
25/05/2029	6.85	25.16	25.17	-0.04%
27/11/2029	11.5	25.43	25.35	0.31%
26/02/2030	6.65	25.27	25.14	0.52%
22/04/2031	7	25.29	25.40	-0.43%
20/11/2031	7.15	25.33	25.32	0.06%
23/03/2032	7	25.29	25.31	-0.06%
17/05/2033	8.2	26.43	26.53	-0.40%
17/05/2034	8.25	26.61	26.56	0.19%
27/07/2035	12	26.18	26.29	-0.43%
02/11/2035	7.05	26.05	26.02	0.12%
23/03/2037	7.25	26.01	26.02	-0.05%

Lebanon and Israel's June 26 agreement triggered short-term volatility but lifted hopes for eventual stability. Yet the decisive test lies not in the agreement itself, but in whether regional power dynamics—Tehran's directives to Hezbollah, Washington's guarantees, Israel's expectations of what it can win, and the durability of U.S.–Iran understandings—hold long enough to prevent renewed escalation. Until that is resolved, Lebanon's recovery will remain fragile, with stability the ultimate prerequisite for sustained growth.

Meanwhile, the Israeli-Hezbollah conflict has stalled reform initiatives, redirected government priorities, severely damaged the economy, and heightened the risk of additional debt to finance reconstruction. Investors are reassessing restructuring prospects, with concerns mounting over extended delays and weaker recovery values. Further bond declines are likely unless peace talks involving the US, Iran, Israel and Lebanon make tangible progress.

On a more positive note, the [BLOM Lebanon PMI increased to 50.3 in June 2026](#) from 49.7 in May, returning to the expansion territory for the first time in four months. As a leading indicator of economic activity, even a marginal improvement in PMI can support the investment sentiment, though the broader outlook remains contingent on political and security developments.

As prices of 5 and 10-year bonds marginally moved, so did their yields, but inversely:

	02/07/2026	26/06/2026	Weekly Change
JP Morgan EMBI	1,044.53	1,046.05	-0.15%
5Y LEB	48.65%	48.50%	15
10Y LEB	32.50%	32.50%	-
5Y US	4.23%	4.15%	8
10Y US	4.49%	4.40%	9
5Y SPREAD	4,442	4,435	7
10Y SPREAD	2,801	2,810	(9)

In the U.S., Treasury yields edged higher this week, with the 5-year yield up 8 bps to 4.23% and the 10-year up 9 bps to 4.49%, pushing bond prices lower in the holiday-shortened session.

Fed Chair Kevin Warsh reinforced his earlier hawkish stance, stressing the central bank's commitment to controlling inflation. Later, however, he acknowledged that risks were easing as wholesale oil and fuel prices declined and tanker flows through the Strait of Hormuz resumed, reducing urgency for further tightening.

Investors remain divided: some see scope for higher rates given strong capital spending on artificial intelligence infrastructure, while others expect softer inflation to limit hikes. Fed officials are also divided, and Warsh's decision to avoid forward guidance has heightened reliance on economic data.

Labor market figures added complexity, with payrolls undershooting expectations but unemployment falling on weaker participation, leaving the Fed's policy outlook less clear. Nonfarm payrolls rose just 57,000 in May after downward revisions to the prior two months, well below the 113,000 economists surveyed by Bloomberg predicted. The unemployment rate fell to 4.2% in June, but largely because labor-force participation dropped.

The bond market will be closed Friday for the Independence Day holiday.

As per the CME Fed Watch, traders are still pricing in a 77% of at least one rate hike by the Federal Reserve by the end of this year compared to a 76.9% chance a week ago.

Target Rate (bps)	Probability(%)			
	Now *	1 Day 01-Jul-26	1 Week 26-Jun-26	1 Month 03-Jun-26
325-350	0.00%	0.00%	0.00%	1.10%
350-375 (Current)	23.10%	16.70%	23.00%	41.00%
375-400	42.50%	39.00%	41.80%	41.30%
400-425	27.00%	31.90%	27.00%	14.40%
425-450	6.90%	10.90%	7.40%	2.10%
450-475	0.60%	1.30%	0.70%	0.10%
* Data as of 3 Jul 2026 12:52:04 CT				

1/1/2028 and forward are projected meeting dates

5Y Credit Default Swaps (CDS)

	02/07/2026	26/06/2026
KSA	60.11	59.46
Dubai	63.19	61.84
Brazil	125.20	125.91
Turkey	222.02	222.52

Source: Bloomberg

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Mira Said

mira.said@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

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