

## Dollar Hits 18-Month High as Yields Rise and Middle East Risks Mount



October 2, 2026

### Contact Information

Mira Said

Senior Research Specialist

[mira.said@blom.com.lb](mailto:mira.said@blom.com.lb)

### Lebanese Forex Market

|                      | 02/10/2026 | 25/09/2026 | % Change | YTD % Change |
|----------------------|------------|------------|----------|--------------|
| <b>Euro / LBP</b>    | 100,535.35 | 101,949.45 | -1.39%   | -4.27%       |
| <b>Euro / Dollar</b> | 1.1237     | 1.1390     | -1.34%   | -4.36%       |
| <b>NEER Index</b>    | 128.07     | 127.64     | 0.33%    | -43.19%      |

\*Prices are as of the time of writing this report

**The Nominal Effective Exchange Rate (NEER) of the Lebanese pound** rose by 0.33% this week, reaching 128.07 points, against a basket of 21 influential currencies, including the Euro and British pound, driven by the U.S. Dollar's strengthening.

## International Forex Market

|                               | 02/10/2026 | 25/09/2026 | % Change | Status       |
|-------------------------------|------------|------------|----------|--------------|
| <b>Dollars index = DXY</b>    | 102.00     | 100.97     | 1.02%    | Strengthened |
| <b>Euro (EUR/USD)</b>         | 1.1251     | 1.1390     | -1.22%   | Weakened     |
| <b>U.K. Pound (GBP/USD)</b>   | 1.3210     | 1.3245     | -0.26%   | Weakened     |
| <b>Swiss Franc (USD/CHF)</b>  | 0.8278     | 0.8283     | -0.06%   | Strengthened |
| <b>Chinese Yuan (USD/CNY)</b> | 6.7047     | 6.7132     | -0.13%   | Strengthened |
| <b>Japanese Yen (USD/JPY)</b> | 157.63     | 157.28     | 0.22%    | Weakened     |
| <b>Australia \$ (AUD/USD)</b> | 0.6938     | 0.7023     | -1.21%   | Weakened     |
| <b>Canadian \$ (USD/CAD)</b>  | 1.4237     | 1.4142     | 0.67%    | Weakened     |

\*Prices are as of the time of writing this report

In international currency markets, the **US Dollar Index (DXY)**, which measures the US dollar against a basket of six major currencies, rose by 1.02% this week to 102 points, its highest level in 18 months.

The gain was supported by elevated US Treasury yields and ongoing geopolitical tensions in the Middle East. Higher Treasury yields widened the interest rate gap between the US and other major economies, boosting the dollar's appeal and increasing demand for the currency. Additionally, the rise in oil prices renewed inflationary pressures.

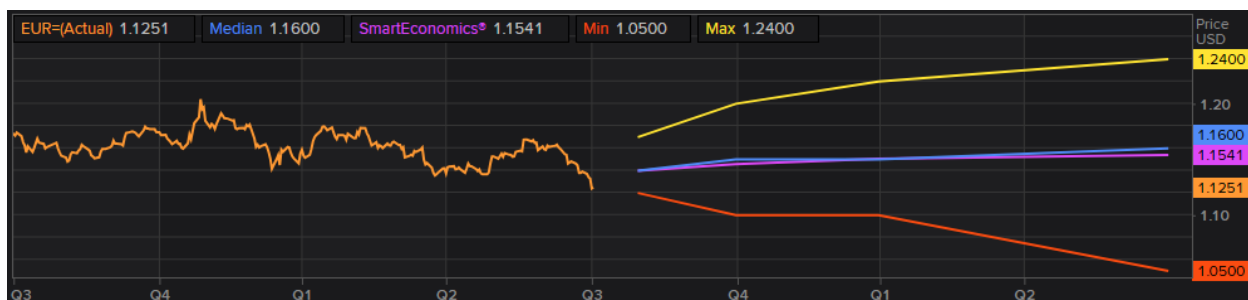
**As the dollar strenghtens, other currencies tend to weaken against it.**

The **euro** fell by 1.22% this week to 1.1251 for the dollar, its biggest decline in around four months.

The drop was driven by broad US dollar strength, rising Brent prices, which tend to weigh on the currencies of major energy importers, and growing concerns over France's fiscal outlook. Political uncertainty and widening sovereign bond spreads in France further pressured the single currency.

French and Italian government bonds faced renewed selling pressure as investors weighed the prospect of higher interest rates and rising political uncertainty ahead of France's 2027 elections. French 10-year bond yields climbed to their highest level since 2002 this week, while the risk premium over German Bunds widened to its highest level since the eurozone debt crisis. Concerns that either a far-right or far-left government wins the upcoming elections could complicate fiscal adjustment in France. Bonds sell-off spilled over to other highly indebted eurozone countries, including Italy and Greece, adding pressure on the euro.

According to Reuters' October 2, 2026 analysts survey, the euro is projected to strengthen to a median of 1.16 against the dollar on 30 September 2027, from 1.1251 currently, while SmartEconomics® forecasts a softer strengthening to 1.1541 against the dollar.



Source: LSEG Workspace

**Note:** SmartEconomics® produces forecasts significantly more accurate than consensus by scoring each contributor's track record—comparing Reuters poll estimates to actual outcomes across asset classes.

The **Australian dollar** weakened by 1.21% this week to 0.6938 for the US dollar, its lowest level in nearly three months. The decline was driven by broad US dollar strength and a narrowing yield differential between Australian and US government bonds, reducing the currency's attractiveness to investors. Although the Reserve Bank of Australia raised its policy rate to a 15-year high of 4.6% on Tuesday, markets viewed the move as potentially the last in the current tightening cycle, as policymakers appeared inclined to assess the impact of previous rate hikes before taking further action.

## MENA Forex Market

|                                  | 02/10/2026 | 25/09/2026 | % Change | Status     |
|----------------------------------|------------|------------|----------|------------|
| <b>Egyptian Pound (USD/EGP)</b>  | 52.26      | 51.72      | 1.04%    | Weakened   |
| <b>Turkish lira (USD/TRY)</b>    | 48.9720    | 48.9163    | 0.11%    | Weakened   |
| <b>Syrian Pound (USD/SYP)</b>    | 121.52     | 121.52     | 0.00%    | Stabilized |
| <b>Iranian Rial (USD/IRR)</b>    | 1,747,044  | 1,677,575  | 4.14%    | Weakened   |
| <b>Kuwaiti Dinar (USD/KWD)</b>   | 0.30790    | 0.30765    | 0.08%    | Weakened   |
| <b>Moroccan Dirham (USD/MAD)</b> | 9.9195     | 9.6085     | 3.24%    | Weakened   |
| <b>Tunisian Dinar (USD/TND)</b>  | 2.9963     | 2.9325     | 2.18%    | Weakened   |
| <b>Algerian Dinar (USD/DZD)</b>  | 133.3623   | 133.1200   | 0.18%    | Weakened   |

\*Prices are as of the time of writing this report

N.B.:

- Saudi Riyal, UAE Dirham, Qatari Riyal, Bahraini Dinar, and Omani Rial are all pegged to the US dollar.
- The Kuwaiti Dinar is pegged to a basket of currencies that includes the dollar.
- Outside the GCC, the Iraqi Dinar and the Jordanian Dinar are also pegged to the US dollar.

In MENA markets, all currencies fell against the dollar as the latter strengthened, except for the Syrian Pound.

The **Iranian rial** weakened by 4.14% this week to 1,747,044 per US dollar, marking a fresh record low. According to Pashizi, a website tracking Iran's free foreign exchange market, the free-market exchange rate is around 2,586,500 rials per dollar. The currency's continued decline reflects the combined impact of US sanctions, persistent inflation, and heightened economic uncertainty. The rial has come under additional pressure since the outbreak of the war, as military tensions and disruptions to trade and shipping routes have weighed on economic activity. Meanwhile, the lack of progress in ongoing negotiations has further weakened investor confidence and added pressure on the currency.

## Commodities

|                 | Currency | 02/10/2026 | 25/09/2026 | % Change |
|-----------------|----------|------------|------------|----------|
| Gold (Spot)     | USD      | 4,174.74   | 4,287.25   | -2.62%   |
| Silver (Spot)   | USD      | 60.95      | 64.31      | -5.22%   |
| Brent Crude Oil | USD      | 99.96      | 97.44      | 2.59%    |
| WTI Crude Oil   | USD      | 89.51      | 92.41      | -3.14%   |

\*Prices are as of the time of writing this report

In commodity markets, **gold** fell 2.62% this week to \$4,175 per ounce, while **silver** declined by 5.22% to \$61 per ounce. The losses were driven by rising Brent prices amid concerns over a potential escalation between the US and Iran, which heightened inflation expectations and reinforced expectations of higher interest rates. Besides, hawkish Federal Reserve commentary and a stronger US dollar weighed on both precious metals. Neel Kashkari, President of the Minneapolis Fed, said it remains uncertain how much further interest rates may need to rise to curb inflation, stressing that the Fed will do what is necessary to restore price stability. In addition, higher yields increase the opportunity cost of holding non-yielding assets such as gold and silver.

In oil markets, **Brent crude** rose by 2.59% this week to \$100 per barrel, while **WTI** fell by 3.14% \$89.5 per barrel, reflecting Brent's greater sensitivity to potential disruptions in Middle Eastern crude exports. In addition, Friday's decline in oil prices weighed more heavily on WTI, widening the performance gap between the two benchmarks.

Brent prices were supported by escalating tensions in the Middle East after reports that the US was considering deploying 10,000 sailors and Marines to the Persian Gulf, raising concerns over a broader war with Iran and potential disruptions to energy supplies. Further supporting prices were attacks on at least three oil tankers in the Strait of Hormuz, as well as strikes on refineries and ongoing threats to regional energy infrastructure.

Oil prices lost some gains on Friday, after reports that European governments were considering releasing strategic oil reserves to help ease supply concerns and rising fuel costs.

Meanwhile, Middle Eastern oil flows have returned close to pre-war levels, but concerns persist as negotiations between Washington and Tehran have yet to produce a durable agreement to secure transit through the Strait of Hormuz.

For your Queries:

BLOM Bank s.a.l.  
Research Department  
Zaituna Bay  
POBOX 11-1540 Riad El Soloh  
Beirut 1107 2080 Lebanon

Mira Said  
[mira.said@blom.com.lb](mailto:mira.said@blom.com.lb)

Research Department  
Tel: +961 1 991 784  
[research@blom.com.lb](mailto:research@blom.com.lb)

*Disclaimer*

*This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.*