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Lebanon's Eurobonds have undergone a remarkable rally over the past year, recently exceeding the 29 cents on the dollar (¢) threshold. With power moving away from Hezbollah and Iran and closer to Gulf/Western-aligned groups, investors see higher chances of stability, foreign aid, and debt restructuring.

Indeed, several accomplishments were made over the past year:

- Joseph Aoun's election in January 2025 ended a two-year presidential vacuum
- PM Nawaf Salam formed a government believed to be pro-reform
- Reforms passed include a revised bank secrecy law and a bank restructuring law
- Recently, the government submitted the long-awaited financial regulation and deposit recovery law (also known as the financial gap law) to parliament.

This rise has also been fueled by regional turmoil in Iran, which raised hopes for greater stability in Lebanon; and Lebanon's widest spreads over U.S. Treasuries among distressed emerging-market sovereigns, making its Eurobonds the most attractive target for vulture funds (see: [BBI Breaks the 30-Point Barrier for the First Time Since Feb 2020](#)).

However, in its latest MENA 2026 Outlook, the global investment bank Goldman Sachs (GS) has issued a cautionary note, warning the market has gone "too far, too soon".

GS' Valuation vs. Reality

GS maintains a much more conservative valuation for Lebanon's defaulted debt. While the market is pricing bonds above 29¢, GS's probabilistic analysis suggests a fair value range of 12¢ to 25¢.

Metric	Market Price	GS Valuation Range
Price	~29¢	12¢ – 25¢

GS argues that the recent rally has outpaced fundamentals, noting that several pre-restructuring challenges remain and that there is still significant uncertainty around post-deal recovery values, assuming a deal eventually materializes.

The valuation of GS assumes a restructuring in 2030, a step-up coupon bond of 4–6%, a 10% exit yield, haircuts between 60% and 80%, and different bond price pre-haircut (due to accrual of past due interest).

Lebanon's Eurobonds Are Trading at the Upper Bound of Our Valuation Estimates

Cents in the Dollar (with recovery estimates based on various haircut scenarios)



Our recovery estimates assume a debt restructuring takes place in 2030, and are based on a 10-year step-up coupon bond (4%–6%) and an exit yield of 10%.

Source: Haver Analytics, Goldman Sachs Global Investment Research

Farouk Soussa and Alessa Abraham*

GS highlights several major obstacles that still stand in the way of a future debt restructuring, creating uncertainty about how much investors will ultimately recover. The key issues are:

1. Legislative Challenges

The financial gap law has still not passed parliament. An updated version could still be issued, but there is no guarantee it will meet IMF requirements. Even the bank restructuring law that passed last summer does not meet those requirements and may need changes.

2. Upcoming elections

Parliamentary elections planned for May complicate the legislative timeline. If elections happen on time, the government has only two or three months to pass necessary laws. It's also unclear whether elections will be delayed, how long it will take to form a new government afterward, and what the new government will be like.

3. Undefined government losses

Without the passage and implementation of the gap law, the true scale of banking-sector losses—and the resulting burden on public finances—remains unknown.

4. Unclear future government debt

The government will likely need to take on more debt, including a US\$16.5bn liability to the central bank and an estimated US\$15bn for reconstruction. These numbers are still uncertain but will influence future debt levels.

5. High implementation risks

Even after laws are passed, putting bank restructuring into action will be difficult. As GS notes, "Litigation risk is significant following the Constitutional Council's ruling last October that depositor appeals will not be heard by a special court, and that enforcement may be suspended during appeal. More broadly, we expect that the IMF will issue a list of prior actions that go beyond bank restructuring, implementation of which is uncertain."

6. Political instability

The biggest risk is the escalation of conflict with Israel, especially if progress on Hezbollah disarmament stalls.

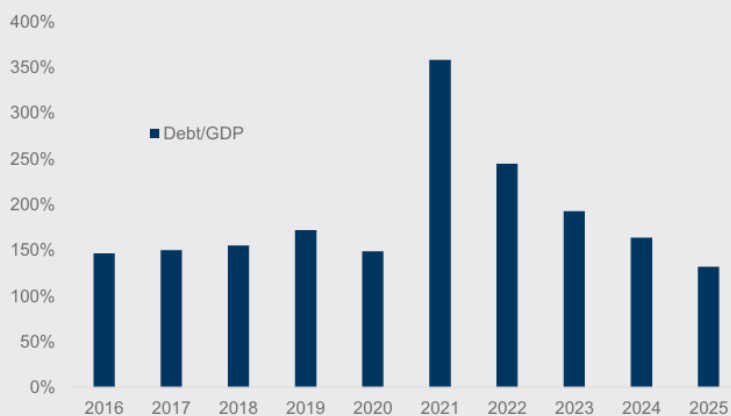
After calculating haircuts, discount rates, and yields, GS performed a scenario-based probability analysis. Each of the four scenarios—base case, upside, downside, and no deal—was assigned a percentage weight, with the total equaling 100%. These weights reflected the relative optimism or pessimism associated with each scenario.

To sum up, today's **29¢+ price** reflects **either earlier cash flows, a lower exit yield, or a more generous instrument** than GS assumes. Yet despite the improvement in Beirut's political backdrop, the technical and financial path to a final debt deal remains far from clear. *The financial gap law is still expected to be amended, and any revisions could materially change the government's share of losses. The higher the government's share of losses, the larger the haircut required on Eurobonds—meaning bondholders ultimately receive lower payments. While the audited statements put the state's obligations to BDL at only \$16.5 billion, widespread anecdotal evidence suggests the real figure may be in the \$40–50 billion range. If those higher estimates prove accurate, achieving debt sustainability would require materially deeper haircuts. And even if the financial gap law does not increase the state's loss share, it is far from guaranteed that BDL and the banks—given their weakened balance sheets—could realistically absorb their portion of the losses.*

LEBANON	2022	2023	2024	2025E	2026E	2027E	2028E
GDP							
Real GDP (%yoy)	0.5	0.5	-7.4	2.3	4.0	4.1	4.2
Nominal GDP (LC bn)	768380	1698440	1686229	1814264	2002145	2212282	2447780
Nominal GDP (US\$ bn)	24.8	23.6	28.3	30.4	33.6	35.0	36.4
Nominal GDP/Capita (US\$ '000)	2.7	2.8	2.8	3.0	3.4	3.7	4.2
External Sector							
Exports (% GDP)	16.7	17.5	14.6	13.6	12.3	11.8	11.4
Imports (% GDP)	49.6	54.6	47.8	46.7	46.5	50.1	53.8
Trade Balance (% GDP)	-32.8	-37.0	-33.2	-33.1	-34.2	-38.2	-42.4
Current Account (% GDP)	-29.3	-23.9	-18.2	-16.9	-15.3	-14.7	-14.1
Gross International Reserves (US\$bn)	10.4	9.6	10.1	10.6	11.1	11.7	12.3
Import Coverage Ratio (Months)	10.2	9.0	9.0	9.0	8.5	8.0	7.5
Public Sector							
GG Balance (% GDP)	-3.5	-1.7	-0.7	-0.7	-0.7	-0.7	-0.7
GG Primary Balance (% GDP)	-3.2	-1.5	-0.3	-0.4	-0.4	-0.5	-0.5
Gross public debt (% GDP)	238.5	192.8	163.8	132.0	125.0	120.0	115.0
Prices							
CPI (yoy eop)	122.0	192.3	18.1	13.0	15.4	15.4	15.4

The Debt Ratio is Falling as Nominal GDP Recovers

Debt/GDP (%)



Source: Goldman Sachs Global Investment Research, Haver Analytics

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