

## GS Sees Lebanese Eurobonds as Overvalued; Global Yields Hit 18-Year High



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|                              | 03/09/2026 | 28/08/2026 | Weekly Change | Year to Date |
|------------------------------|------------|------------|---------------|--------------|
| <b>BLOM Bond Index (BBI)</b> | 29.68      | 29.70      | -0.08%        | 22.74%       |
| <b>Weighted Yield</b>        | 61.20%     | 60.78%     | 0.68%         | -9.77%       |
| <b>Weighted Spread</b>       | 5,711.42   | 5,665.45   | 0.81%         | -11.19%      |

The **BLOM Bond Index (BBI)**, which tracks defaulted Lebanese government Eurobonds that haven't matured yet (excluding coupon payments), edged down by 0.08% week-to-date to 29.68 points on September 3, 2026, while still trading near its highest level since March 2026.

Bond prices are now trading between 27.99¢ and 29.83¢ on the dollar for maturities ranging from 2027 to 2037.

| Maturity   | Coupon in % | Prices     |            | Weekly Change |
|------------|-------------|------------|------------|---------------|
|            |             | 03/09/2026 | 28/08/2026 |               |
| 29/11/2027 | 6.75        | 27.99      | 28.10      | -0.38%        |
| 20/03/2028 | 7           | 28.04      | 28.12      | -0.27%        |
| 03/11/2028 | 6.65        | 28.07      | 28.09      | -0.08%        |
| 25/05/2029 | 6.85        | 28.11      | 28.18      | -0.27%        |
| 27/11/2029 | 11.5        | 28.28      | 28.37      | -0.31%        |
| 26/02/2030 | 6.65        | 28.12      | 28.13      | -0.05%        |
| 22/04/2031 | 7           | 28.43      | 28.41      | 0.07%         |
| 20/11/2031 | 7.15        | 28.62      | 28.56      | 0.21%         |
| 23/03/2032 | 7           | 28.55      | 28.51      | 0.14%         |
| 17/05/2033 | 8.2         | 29.83      | 29.83      | 0.00%         |
| 17/05/2034 | 8.25        | 29.81      | 29.81      | 0.00%         |
| 27/07/2035 | 12          | 29.42      | 29.44      | -0.08%        |
| 02/11/2035 | 7.05        | 29.27      | 29.33      | -0.18%        |
| 23/03/2037 | 7.25        | 29.25      | 29.30      | -0.16%        |

This relative stabilization reflects several factors.

Lebanon remains stuck in deadlock both geopolitically and economically.

Israeli strikes on South Lebanon persist, maintaining pressure on the security front.

On the economic front, parliament's passage of an amended Bank Restructuring Law in August removed one key obstacle toward an eventual IMF program and debt restructuring. However, the Financial Regularization and Deposit Recovery Law—commonly referred to as the Gap Law—remains pending.

Commenting on this, Goldman Sachs analysts said in their *CEEMEA Outlook: Cautiously Optimistic* (September 2, 2026), “Beyond the legislative hurdles, we believe the geopolitical backdrop presents significant challenges to any eventual IMF deal and debt restructuring. While not a formal requirement, we believe that a resolution to the question of Hezbollah disarmament is a precondition for an IMF programme and any future bilateral/multilateral financial assistance beyond that limited to proving near-term humanitarian relief. In our view, it is unlikely that the Lebanese government will garner significant international financial support without re-establishing a ‘monopoly of violence’ (i.e., that the government is the only group in society with the effective ability to use physical force), and while the risk of conflict between Hezbollah and Israel remains elevated. Although some progress has been achieved in US-mediated talks between Lebanon and Israel in recent weeks, including the establishment of demilitarized pilot zones in the south of the country under Lebanese army control, in our view this falls far short of what is required to bring about a complete disarmament of non-state actors such as Hezbollah. We are not optimistic of meaningful progress on this issue in the near term, and see it is a major obstacle to a potential debt restructuring. **As we have previously argued, the above uncertainties related to the legislative and geopolitical hurdles that remain in the way of an eventual debt restructuring justify some caution with respect to the valuation of Lebanon’s defaulted Eurobonds. As such, we continue to see current pricing (at around 29 cents in the Dollar) as overly optimistic.**”

Meanwhile, [the BLOM Lebanon PMI slipped to 50.1 in August 2026](#) from 50.7 in July, though it remained in the growth zone. Weakness in the tourism sector and subdued goods exports, weighed down by a troubled regional market, likely drove the slowdown in output and the PMI. For Lebanon’s defaulted Eurobonds, the direct pricing impact is muted, as they no longer trade on fundamentals such as PMI. Still, the softer reading reinforces the narrative of a fragile economy and limited recovery prospects—pressuring Eurobond recovery expectations further.

That said, earlier last month, S&P Global Ratings affirmed Lebanon's long-term local currency rating at CCC+ and the short-term rating at C, citing the government's continued ability to service its commercial local debt. At the same time, it maintained both short- and long-term foreign currency ratings at *Selective Default*, pending progress on public debt restructuring. The agency noted that a restructuring in 2027 appears unlikely, as reforms required for an IMF deal remain slow. For Lebanese Eurobonds, this announcement reinforces expectations of depressed recovery values.

As prices of 5 and 10-year bonds fell, their yields rose by 5 basis points.

|                       | 03/09/2026 | 28/08/2026 | Weekly Change |
|-----------------------|------------|------------|---------------|
| <b>JP Morgan EMBI</b> | 1,039.72   | 1,042.03   | -0.22%        |
| <b>5Y LEB</b>         | 45.60%     | 45.55%     | 5             |
| <b>10Y LEB</b>        | 29.80%     | 29.75%     | 5             |
| <b>5Y US</b>          | 4.52%      | 4.48%      | 4             |
| <b>10Y US</b>         | 4.77%      | 4.73%      | 4             |
| <b>5Y SPREAD</b>      | 4,108      | 4,107      | 1             |
| <b>10Y SPREAD</b>     | 2,503      | 2,502      | 1             |

In the U.S., Treasury yields edged higher this week, with the 5-year up 4 bps to 4.52% and the 10-year up 4 bps to 4.77%.

The 10-year reached its highest level since October 2023 earlier this week as oil prices jumped following renewed U.S.–Iran strikes, heightening inflation concerns and fueling bets on a Fed rate hike in September. Fed Chair Warsh reinforced this view at Jackson Hole, warning the Fed would “have work to do” if inflation does not move toward its 2% target.

Later, New York Fed President John Williams noted easing inflation pressures as tariff effects fade, while Fed Governor Christopher Waller said he would support holding rates unchanged if price pressures keep easing, stressing that August inflation results will shape his decision-making. These remarks pushed bond yields lower, though they still ended the week with gains.

As per the CME Fed Watch, traders are now pricing a 50% chance of a rate hike in September's Fed meeting.

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| TARGET RATE (BPS) | PROBABILITY(%) |                     |                       |                       |
|-------------------|----------------|---------------------|-----------------------|-----------------------|
|                   | NOW *          | 1 DAY<br>3 SEP 2026 | 1 WEEK<br>28 AUG 2026 | 1 MONTH<br>4 AUG 2026 |
| 350-375 (Current) | 49.8%          | 50.6%               | 43.0%                 | 41.6%                 |
| 375-400           | 50.2%          | 49.4%               | 57.0%                 | 58.4%                 |

\* Data as of 4 Sep 2026 03:55:27 CT

1/1/2028 and forward are projected meeting dates

Globally, the Bloomberg Global Government Bond Index rose to around 3.7% in 2026, returning to levels last seen during the global financial crisis, after dropping below 0.5% in 2020.



This surge reflects several pressures. Investors are demanding higher returns as global debt swells, with U.S. debt alone reaching a record \$40 trillion. Inflation remains sticky, fueled by elevated energy prices as the U.S.–Israeli conflict with Iran sustains geopolitical risk. Higher inflation implies tighter central bank policy, driving bond yields up and prices down given their inverse relationship. At the same time, strong growth trends intensify competition for capital, pushing governments to offer higher yields amid heavy borrowing—such as financing AI data centers. The result is a vicious cycle: rising yields increase borrowing costs, further straining debt sustainability.

### 5Y Credit Default Swaps (CDS)

|        | 03/09/2026 | 28/08/2026 |
|--------|------------|------------|
| KSA    | 56.61      | 56.26      |
| Dubai  | 61.19      | 61.78      |
| Brazil | 117.33     | 122.71     |
| Turkey | 218.08     | 217.55     |

**Source: Bloomberg**

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