

Lebanon Eurobonds Fall amid War and Fiscal Stress; US Yields Jump on Treasury Buyback Shortfall



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	10/09/2026	04/09/2026	Weekly Change	Year to Date
BLOM Bond Index (BBI)	29.57	29.66	-0.30%	22.31%
Weighted Yield	61.85%	61.29%	0.92%	-8.80%
Weighted Spread	5,761.71	5,718.75	0.75%	-10.41%

The **BLOM Bond Index (BBI)**, which tracks defaulted Lebanese government Eurobonds that haven't matured yet (excluding coupon payments), fell by 0.3% week-to-date to 29.57 points on September 10, 2026, while still trading near its highest level since March 2026.

Bond prices are now trading between 27.91¢ and 29.7¢ on the dollar for maturities ranging from 2027 to 2037.

Maturity	Coupon in %	Prices		Weekly Change
		10/09/2026	04/09/2026	
29/11/2027	6.75	27.91	27.97	-0.22%
20/03/2028	7	27.91	28.03	-0.43%
03/11/2028	6.65	27.95	28.06	-0.38%
25/05/2029	6.85	28.02	28.11	-0.33%
27/11/2029	11.5	28.35	28.28	0.23%
26/02/2030	6.65	28.05	28.12	-0.25%
22/04/2031	7	28.38	28.46	-0.25%
20/11/2031	7.15	28.44	28.56	-0.42%
23/03/2032	7	28.47	28.51	-0.14%
17/05/2033	8.2	29.70	29.83	-0.43%
17/05/2034	8.25	29.68	29.78	-0.31%
27/07/2035	12	29.29	29.42	-0.43%
02/11/2035	7.05	29.15	29.25	-0.32%
23/03/2037	7.25	29.16	29.24	-0.27%

This decline reflects several factors.

On the security front, Israeli strikes on South Lebanon have escalated significantly this week, *adding further strain to Lebanon's already fragile economic outlook.*

On the economic front, the 2027 draft budget has faced criticism, as retired military personnel protested its omission of pension and salary adjustments, pointing to deteriorating living standards amid the crisis. While the draft targets a balanced budget, any increase in public sector wages would necessarily require offsetting cuts elsewhere or risk pushing the state into deficit.

The 2026 budget is already expected to end in deficit despite initial plans for balance, as the escalation of Israel's war on Lebanon in March 2026 reduced revenues and forced higher expenditures to meet urgent humanitarian needs.

These fiscal strains heighten concerns over debt sustainability. Persistent deficits and rising social pressures undermine investor confidence, exerting downward pressure on Lebanese Eurobond prices.

That said, as discussed in [WB: From a 4% Projected Growth to a 6.4% Contraction in 2026](#), the World Bank now expects the Lebanese economy to shrink by 6.4% this year, compared to the 4% growth forecast in its previous report.

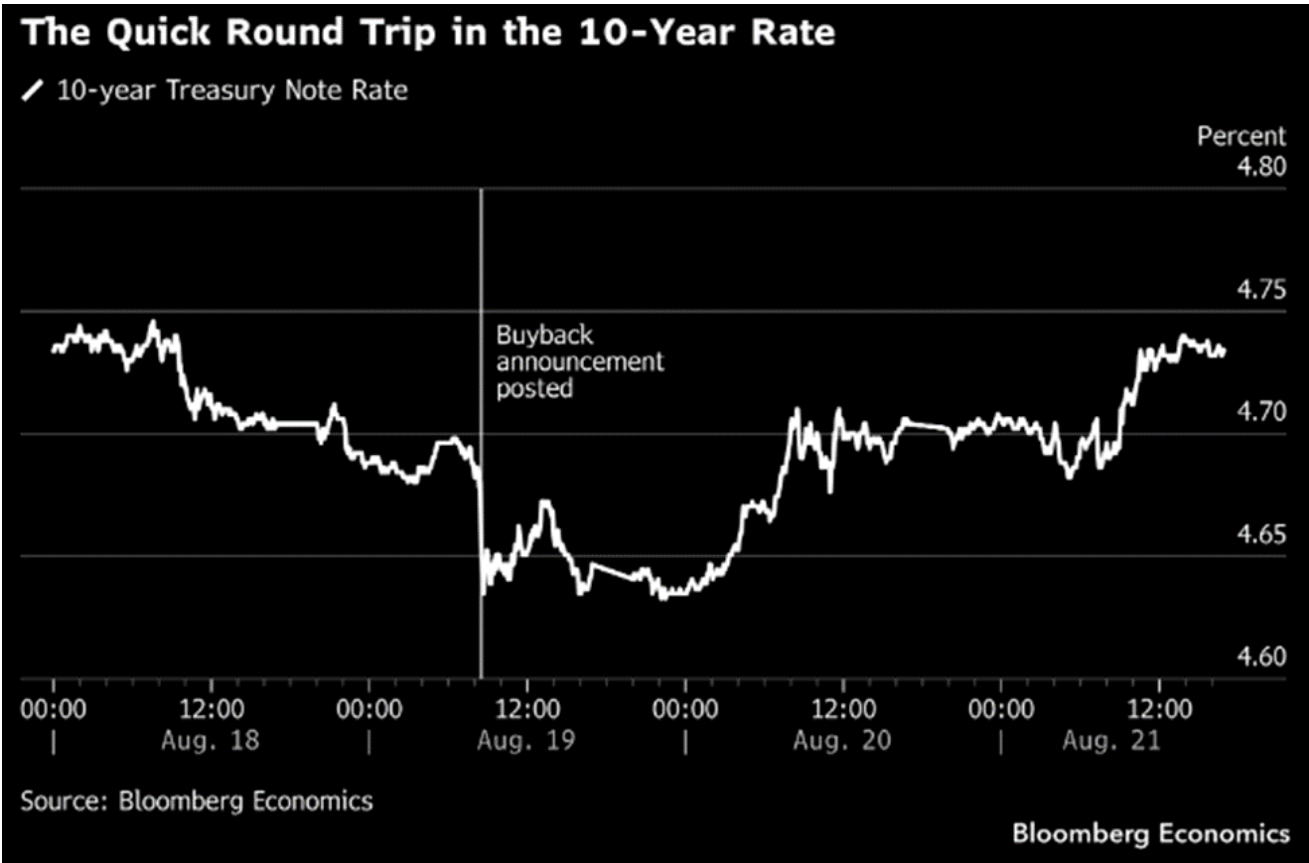
As prices of 5 and 10-year bonds fell, their yields rose by 25 and 15 basis points, respectively.

	10/09/2026	04/09/2026	Weekly Change
JP Morgan EMBI	1,032.27	1,040.83	-0.82%
5Y LEB	45.90%	45.65%	25
10Y LEB	29.95%	29.80%	15
5Y US	4.75%	4.54%	21
10Y US	4.95%	4.78%	17
5Y SPREAD	4,115	4,111	4
10Y SPREAD	2,500	2,502	(2)

In the U.S., Treasury yields surged this week, with the 5-year up 21 bps to 4.75% and the 10-year up 17 bps to 4.95%, recording its highest level since October 2023.



The sell-off was driven by surging crude oil prices and the Treasury's smaller-than-expected bond purchases, closing Thursday's operation at \$5.19 billion versus a planned \$6 billion Treasury buy up. This was only the third time out of 53 operations since the program's 2024 relaunch that officials did not buy the maximum in long-dated debt repurchases.



United States Secretary of the Treasury Scott Bessent has recently taken unconventional measures to ease yields increases besides expanding repurchase operations such as intervening in the Japanese yen. On Thursday, Bessent said he was taking these measures partly in response to Iran, noting that the country is seeking to create economic challenges for the United States, whether through bond yields or oil prices.

Markets are now awaiting consumer inflation data. Bloomberg polls indicate headline CPI is expected to accelerate to 0.4% in August, driven by higher gasoline prices.

As per the CME Fed Watch, traders are now pricing a 67.1% chance of a rate hike in the upcoming Fed meeting on September 16.

TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 10 SEP 2026	1 WEEK 4 SEP 2026	1 MONTH 11 AUG 2026
350-375 (Current)	32.9%	27.6%	40.6%	51.6%
375-400	67.1%	72.4%	59.4%	48.4%

* Data as of 11 Sep 2026 04:40:30 CT

01/01/2028 and forward are projected meeting dates

5Y Credit Default Swaps (CDS)

	10/09/2026	04/09/2026
KSA	58.35	56.56
Dubai	60.53	60.69
Brazil	112.98	119.43
Turkey	223.86	217.49

Source: Bloomberg

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