

Lebanese Eurobonds Fall on Profit-Taking and Fears of Escalating Regional Tensions



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Contact Information

Mira Said

Senior Research Specialist

mira.said@blom.com.lb

	22/10/2026	16/10/2026	Weekly Change	Year to Date
BLOM Bond Index (BBI)	28.04	28.91	-3.02%	15.96%
Weighted Yield	67.90%	65.61%	3.48%	0.12%
Weighted Spread	6,352.90	6,118.90	3.82%	-1.21%

The **BLOM Bond Index (BBI)**, which tracks defaulted Lebanese government Eurobonds that haven't matured yet (excluding coupon payments), fell by 3% week-to-date to 28.04 points on October 22, 2026.

Bond prices are now trading between 26.52¢ and 27.93¢ on the dollar for maturities ranging from 2027 to 2037.

Maturity	Coupon in %	Prices		Weekly Change	Yields		Weekly Change bps
		22/10/2026	16/10/2026		22/10/2026	16/10/2026	
29/11/2027	6.75	26.60	27.41	-2.97%	182.20%	173.60%	860.08
20/03/2028	7	26.73	27.68	-3.42%	137.07%	131.09%	598.03
03/11/2028	6.65	26.58	27.58	-3.62%	93.68%	89.96%	372.04
25/05/2029	6.85	26.52	27.47	-3.46%	74.93%	72.32%	260.27
27/11/2029	11.5	27.24	27.50	-0.95%	74.38%	73.49%	88.78
26/02/2030	6.65	26.53	27.47	-3.42%	59.71%	57.83%	188.04
22/04/2031	7	26.95	27.80	-3.06%	47.94%	46.63%	131.28
20/11/2031	7.15	26.83	27.79	-3.47%	44.63%	43.30%	133.24
23/03/2032	7	26.75	27.75	-3.58%	42.53%	41.25%	127.62
17/05/2033	8.2	27.93	28.93	-3.46%	39.74%	38.56%	117.34
17/05/2034	8.25	27.85	28.80	-3.32%	37.38%	36.33%	105.64
27/07/2035	12	27.91	28.40	-1.76%	45.99%	45.26%	72.22
02/11/2035	7.05	27.75	28.59	-2.93%	31.64%	30.85%	78.73
23/03/2037	7.25	27.67	28.57	-3.13%	30.52%	29.71%	80.59

The decline follows a wave of profit-taking after Lebanese Eurobonds recently reached their highest price since the 2020 default.

Meanwhile, Israeli strikes on Lebanon are still ongoing, adding further strain to Lebanon's already fragile economic outlook. Tensions have risen further after a New York Times report, citing unnamed US officials, said the US and Israel could launch a short, intense operation against Iran after the November 3 US midterm elections. This possibility raises fears of a regional escalation—including a Hezbollah response and stronger Israeli retaliatory strikes—that directly threatens Lebanon's stability as a whole, rather than just specific areas. Without security and stability, securing an IMF deal remains impossible.

That said, Lebanon's Eurobonds are still trading at high levels since their default, driven by optimism regarding an upcoming IMF visit in November.

As prices of the 5-year and 10-year bonds declined, their yields increased by 125 and 70 basis points to 48.75% and 31.4%, respectively.

	22/10/2026	16/10/2026	Weekly Change
JP Morgan EMBI	1,015.71	1,016.90	-0.12%
5Y LEB	48.75%	47.50%	125
10Y LEB	31.40%	30.70%	70
5Y US	4.78%	4.89%	(11)
10Y US	4.96%	5.09%	(13)
5Y SPREAD	4,397	4,261	136
10Y SPREAD	2,644	2,561	83

In the U.S., the 5-year and 10-year Treasury yields fell this week by 11 and 13 basis points to 4.78% and 4.96%, respectively.

The decline reflected stronger demand for safe-haven assets as investors reduced exposure to AI and technology stocks amid growing concerns over the sustainability of AI-related investment spending. Treasury demand was also supported by rising geopolitical tensions after New York Times' report suggested that the United States and Israel will strike Iran following the midterm elections. Besides, some investors stepped in to buy Treasuries after the recent bond sell-off pushed prices lower.

Concerns about the AI sector also led investors to scale back expectations of further Federal Reserve tightening, despite today's oil surge limiting this drawdown. According to the CME FedWatch Tool, traders are now pricing in a 9.4% probability of a rate hike at the Fed's 28 October meeting, down from 15.5% a week earlier.

TARGET RATE (BPS)	PROBABILITY(%)	
	NOW *	1 WEEK AGO
375-400 (Current)	90.6%	84.5%
400-425	9.4%	15.5%
* Data as of 23 Oct 2026 04:55:28 CT		

5Y Credit Default Swaps (CDS)		
	22/10/2026	16/10/2026
KSA	74.59	68.89
Dubai	63.27	62.16
Brazil	122.17	119.09
Turkey	258.16	249.22
Source: Bloomberg		

In Europe, the premium investors demand to hold French government bonds over safe-haven German Bunds — a closely monitored risk metric — is trading near level not seen since late 2011, during the euro crisis. This is mainly driven by continuing street protests, political uncertainty ahead of next year's presidential election, growing concerns over the country's fiscal position, and growing debt burden.

Chart: France' 10-Year Yield Premium Over Germany



Source: Bloomberg

Many analysts warn that the French turmoil could escalate into a euro-area debt crisis, especially that France has 10 times the debt that Greece had when the latter defaulted on its Eurobonds.

However, France remains an investment-grade borrower, French banks hold stronger capital buffers than in 2010, and the ECB has proven its ability to calm market turmoil.

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

Research Department
Tel: +961 1 991 784
research@blom.com.lb

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