

Lebanese Eurobonds Rise After BDL Governor Signals Breakthrough in IMF Negotiations



October 16, 2026

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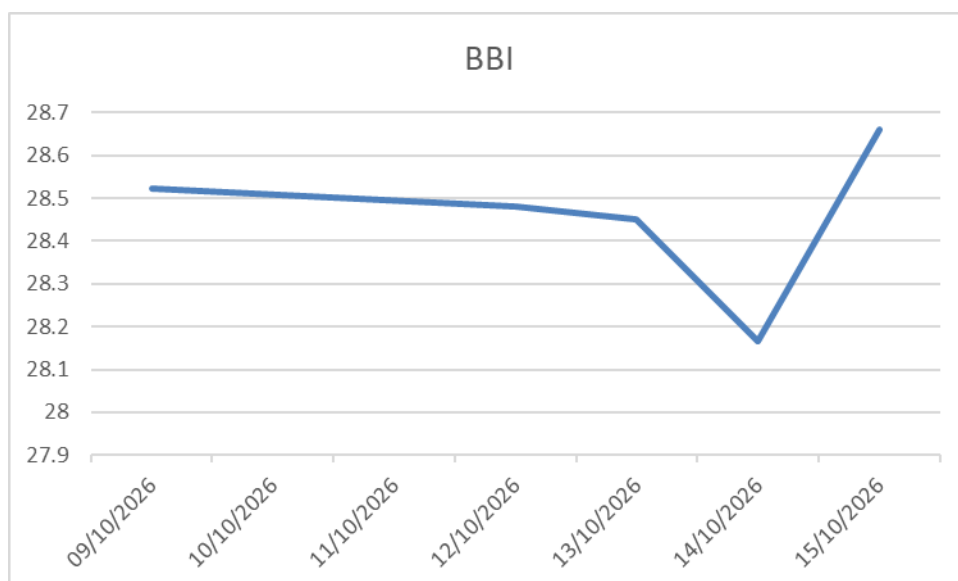
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	15/10/2026	09/10/2026	Weekly Change	Year to Date
BLOM Bond Index (BBI)	28.66	28.52	0.48%	18.53%
Weighted Yield	66.07%	65.90%	0.25%	-2.58%
Weighted Spread	6,162.11	6,147.40	0.24%	-4.18%

The **BLOM Bond Index (BBI)**, which tracks defaulted Lebanese government Eurobonds that haven't matured yet (excluding coupon payments), rose by 0.48% week-to-date to 28.66 points on October 15, 2026.

Bond prices are now trading between 26.87¢ and 28.79¢ on the dollar for maturities ranging from 2027 to 2037.

Maturity	Coupon in %	Prices		Weekly Change
		15/10/2026	09/10/2026	
29/11/2027	6.75	27.22	26.97	0.93%
20/03/2028	7	27.35	27.24	0.41%
03/11/2028	6.65	27.42	26.95	1.76%
25/05/2029	6.85	27.31	26.94	1.38%
27/11/2029	11.5	26.87	27.17	-1.10%
26/02/2030	6.65	27.29	27.06	0.83%
22/04/2031	7	27.76	27.30	1.71%
20/11/2031	7.15	27.63	27.38	0.93%
23/03/2032	7	27.64	27.34	1.12%
17/05/2033	8.2	28.79	28.66	0.48%
17/05/2034	8.25	28.38	28.67	-1.00%
27/07/2035	12	28.15	28.21	-0.23%
02/11/2035	7.05	28.49	28.14	1.25%
23/03/2037	7.25	28.39	28.10	1.03%



As shown in the chart above, the BBI trended lower for most of the week before rebounding sharply on Thursday, 15 October, erasing its earlier losses and moving into positive territory on a week-to-date basis.

The surge followed remarks by Banque du Liban (BDL) Governor Karim Souaid in an interview with Bloomberg on the sidelines of the IMF Annual Meetings in Bangkok, Thailand. Souaid said he expects a breakthrough in discussions with the International Monetary Fund (IMF) on key elements of the "Financial Regularization & Deposit Recovery" Law (commonly known as the Financial Gap Law) by the end of 2026. He added that he hopes the legislation will be formally enacted by the first quarter of 2027, or at the latest by the first half of the year. Souaid further noted that, by the time the law is approved, the government is expected to present a medium-term financial plan. He expressed optimism about the process “based on knowledge”, hinting to ongoing discussions and progress on the proposed reforms. *The governor's comments appear to have boosted investor sentiment, as progress on the Financial Gap Law is a critical step towards securing an IMF deal and restructuring the country's defaulted Eurobonds.*

That said, IMF officials described their discussions with Lebanese authorities this week as constructive, with talks set to continue in the coming weeks ahead of an IMF mission to Beirut in November.

According to Reuters, Athanasios Arvanitis, Deputy Director of the IMF's Middle East and Central Asia Department, said discussions focused on banking sector reforms and restoring public confidence in Lebanon's financial system. He added that restoring debt sustainability remains a key priority.

It is important to note that economic reforms, including the restructuring of Lebanon's banking sector, are essential but insufficient on their own. While such reforms cannot generate a meaningful impact without political and security stability, they are also unlikely to secure an IMF agreement unless accompanied by political reforms that secure the country's stability and ensure the government's monopoly over the use of arms.

Also this week, Lebanon's central bank revoked the local licence of Bank Saderat, one of Iran's largest banks, as the United States increases pressure on countries to cut commercial ties with Iran. The move comes as Lebanon seeks to exit the FATF grey list and protect its already fragile banking sector from sanctions risk and external financial pressures. Similar measures have previously been adopted by countries including the UAE and Turkey to preserve their banks' access to the international financial system.

On the security front, Israeli strikes on Lebanon are still ongoing, adding further strain to Lebanon's already fragile economic outlook.

As prices of the 5-year and 10-year bonds increased, their yields declined by 50 and 25 basis points to 47.5% and 30.65%, respectively.

	15/10/2026	09/10/2026	Weekly Change
JP Morgan EMBI	1,017.70	1,010.99	0.66%
5Y LEB	47.50%	48.00%	(50)
10Y LEB	30.65%	30.90%	(25)
5Y US	4.91%	5.02%	(11)
10Y US	5.10%	5.24%	(14)
5Y SPREAD	4,259	4,298	(39)
10Y SPREAD	2,555	2,566	(11)

Similarly, in the U.S., the 5-year and 10-year Treasury yields fell this week by 11 and 14 basis points to 4.91% and 5.1%, respectively.

One explanation is that Treasury yields had recently reached multi-decade highs, prompting investors to lock in attractive returns. As bearish positioning in bonds became overcrowded, markets became more susceptible to sharp reversals, as investors take profits and short sellers rush to cover their positions, providing additional support for bond prices.

As discussed in [Rising Treasury Yields – Causes, Consequences, and Risks for Global Markets](#), rising bond yields tend to weigh on stocks as investors require higher returns to justify holding riskier assets over bonds. Higher yields also lower the present value of future corporate earnings, putting downward pressure on equity valuations.

Furthermore, increased borrowing costs can squeeze corporate profit margins and slow business investment.

But, expectations of continued growth driven by AI investments and that of a robust corporate earnings season have driven US equities last week toward record highs, outweighing concerns about higher inflation and rising bond yields.

However, this week sentiment shifted after inflation data came in above expectations, strengthening the view that interest rates may remain higher for longer.

Indicator	September 2026 Actual	Dow Jones Consensus Forecast
Producer Price Index (PPI), YoY	6.3%	5.5%
Consumer Price Index (CPI), MoM	0.6%	0.6%
Consumer Price Index (CPI), YoY	3.7%	3.6%

The stronger-than-expected inflation readings raised concerns that sustained high borrowing costs could eventually slow AI-related investment and broader economic activity. As a result, investors rotated out of high-flying technology stocks and into the relative safety of Treasuries.

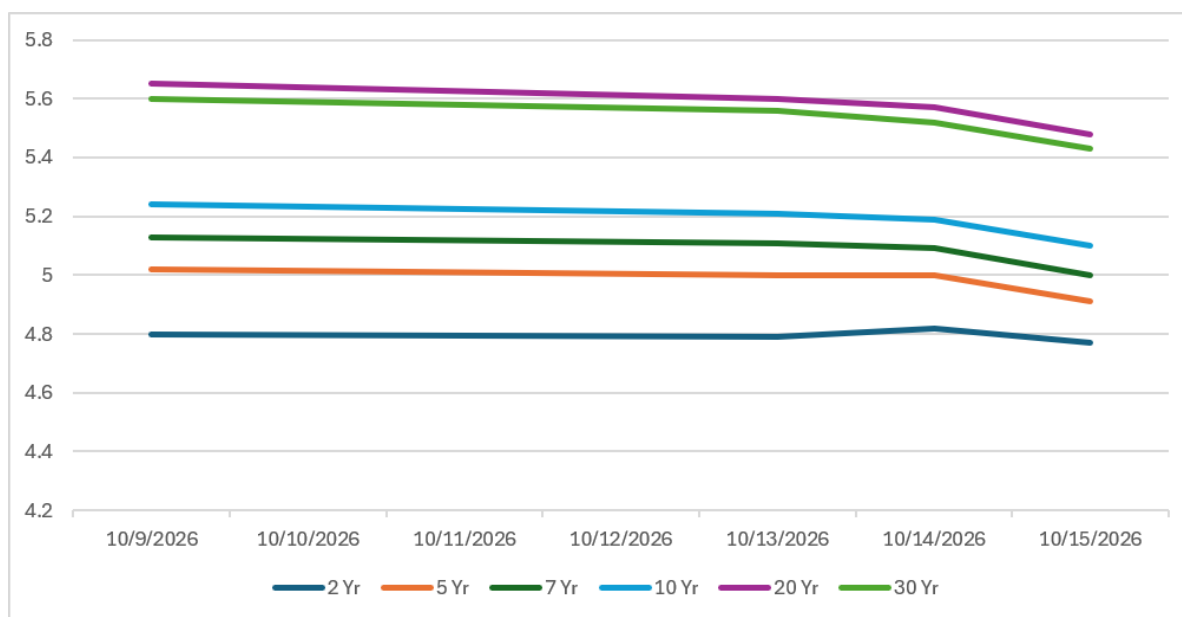
In addition, Federal Reserve Chair Kevin Warsh signaled that this week's stronger-than-expected inflation data had not materially altered his assessment of the US economy, leading traders to further reduce expectations of a rate hike this month.

At the same time, signs of credit stress are emerging in more vulnerable parts of the economy, as some borrowers are finding it increasingly difficult to refinance debt or service interest payments. This has further increased demand for government bonds as a defensive investment.

Some investors are also questioning whether the technology sector can continue to serve as a key engine of U.S. economic growth. If returns on massive AI-related spending fail to meet expectations, earnings growth could disappoint, increasing the appeal of fixed-income assets, particularly at today's elevated yield levels.

Other analysts remain unconvinced that a simple rotation out of technology stocks fully explains the Treasury rally. If investors were merely seeking safety, demand would likely have been concentrated in shorter-dated bonds. Instead, the strength across longer maturities suggests a broader repositioning, potentially driven by pension funds, insurers, and other investors with long-term liabilities swapping out of riskier credit instruments and locking in historically attractive long-term yields.

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A large volume of options is set to expire today, meaning the real test will come on early next week once expiration-related positioning has cleared. The key question is whether the bond rally can sustain itself or whether it was largely a technical adjustment.

As per the CME Fed Watch, traders are now pricing a 14.9% chance of a rate hike in October's Fed meeting, compared to 17.7% last week.

TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 15 OCT 2026	1 WEEK 9 OCT 2026	1 MONTH 16 SEP 2026
375-400 (Current)	85.1%	72.3%	82.3%	50.6%
400-425	14.9%	27.7%	17.7%	48.7%
425-450	0.0%	0.0%	0.0%	0.6%

* Data as of 16 Oct 2026 05:10:31 CT

01/01/2028 and forward are projected meeting dates

5Y Credit Default Swaps (CDS)

	15/10/2026	09/10/2026
KSA	68.60	65.03
Dubai	62.98	62.88
Brazil	116.80	109.20
Turkey	249.47	243.99

Source: Bloomberg

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