

# Nakheel bonds up on Dubai debt deal hopes



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Reuters - Thursday, March 25

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- \* Nakheel 2010 bonds up about 30 pct in March
- \* 2010 bond at 71 cents on the dollar
- \* 2011 bond at 65.25 c/dlr

By Dinesh Nair

DUBAI, March 24 - Hopes of a favorable outcome to conglomerate Dubai World's [NAKHD.UL] debt restructuring talks is helping drive bond prices of its troubled real estate subsidiary Nakheel as investors speculate on a full payout.

Nakheel, developer of man-made islands in the shape of palm trees and a map of the world, has a dirham-denominated \$980 million bond due in May and a \$750 million Islamic bond maturing in January 2011.

Nakheel's 2010 bond <XS0361130148=DBAB> traded at 71 cents on the dollar on Wednesday, according to prices available from trading platform Deutsche Bank Autobahn. The bonds, which traded in the low 30s range in January, have risen about 30 percent so far this month.

The developer's 2011 bond was up 0.5 at 65.25 cents <XS0335122106=R>, its highest since Nov 26, shortly after Dubai World's shock announcement of a six-month standstill on debt payments.

"The holders in 2010 and 2011 bonds were also holding the 2009 bonds. They saw Nakheel '09 being repaid in full and have held on expecting that there will be a workout this time around, too," said John Bates, head of fixed income at Silk Invest in London.

Dubai surprised global markets with the depth of its debt problems in November, then surprised them again a month later by paying \$4.1 billion of Nakheel's debt in full.

Nakheel's 2010 bond was seeing speculative trade and analysts did not rule out interest from short-term investors who were willing to take a bet on a full repayment of the bonds.

"It is a speculative trade for sure. It's high risk, high reward for investors who have that kind of an appetite," said Nish Popat, head of fixed income at ING Investment Management.

Popat added that talks of extended repayments instead of a "haircut" to Dubai World's creditors have led some investors to believe that the bonds were "relatively cheap".

Silk Invest's Bates believes that the property developer's 2010 bonds were likely to be included in the broader restructuring plan presented to creditors.

"It might have its own special conditions in restructuring, given that its dirham denominated, unlike most of the other debt, which is dollar denominated," he said.

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