

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *This morning we see some buying on low cash price names, SHIMAO, SUNAC up 1-2pt, versus FUTLAN/ROADKG/CHINSC down 1pt.*
- *INDYIJ: enter into a conditional sale and purchase agreement to sell its entire 69.8% stake of Petrosea for USD146.6mn. This is its continual effort to diversify from coal. See below.*
- *SAKAEI: launched a cash tender offer for its SAKAEI 4.45% 2024 with tender price of 97.75% and 75bps early tender premium while the tender size is capped at USD200mn. We maintain our OW recommendation and deem SAKAEI'24 an leverage play on Indonesia sovereign. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China HY property space opened soft but recovered a bit in the afternoon session. COGARD/CIFIHG/LOGPH saw street selling and down 4-6pts. CHINSC/SUNAC/GZRFPR were skewed to selling and down 3-4pts. Other property names including KWGPRO/PWRLNG/ROADKG/FUTLAN down 1-3pt while MOLAND up 1-2pts post the announcement on proposed offshore debt restructuring. We estimate the FVs of new MOLAND notes/bonds to be mid-50 to low 80.

IG market sentiment remained weak and benchmark spreads continued to widen. In SOE sector, SINOPE/HAOHUA saw better selling and closed 5-10bps wider. In financial sector, BOCAVI underperformed and widened 5-8bps while AMC names like CCAMCL traded wider for the day.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
REDPRO 11 08/06/22	25.3	5.0	LOGPH 7 1/2 08/25/22	42.8	-8.3
JIAYUA 12 10/30/22	58.3	4.1	CHIGRA 8 5/8 04/08/22	75.0	-7.0
HAOHUA 3.7 09/22/50	92.9	3.1	GZRFPR 8 1/8 02/27/23	25.1	-5.5
HAOHUA 4 3/4 06/19/49	109.3	2.9	CIFIHG 6.45 11/07/24	82.4	-5.3
MOLAND 12.85 10/25/21	20.5	2.2	CIFIHG 6 07/16/25	78.4	-5.2

➤ **Macro News Recap 宏观新闻回顾**

Macro – Major U.S. indexes swung for much of the trading session as the crisis in Ukraine continued to stoke turbulence across global markets. The S&P (-0.2%), and Dow (-0.5%) fell slightly while Nasdaq (+0.4%) closed higher. U.S. Treasury yield curve shifted downward yesterday. The yield on the benchmark 10Y Treasury note dropped to 1.83%. The 1/5/30Y yields down to 1.01/1.71/2.17% respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **SAKAEI: Tender offer and maintain OW recommendation**

Saka Energi launched a cash tender offer for its SAKAEI 4.45% 2024 (total o/s USD625mn). Tender price is 97.75% with 75bps early tender premium and tender size capped at USD200mn. Early tender deadline is 11 Mar'22 and final deadline is 25 Mar'22.

Summary of tender offer as below:

Tender Price: 97.75%

Early tender price: 98.5% (75bps early tender premium)

Tender cap: USD200mn

Early tender deadline: 11 Mar'22 5:00p.m. New York Time

Final tender deadline: 25 Mar'22 5:00p.m. New York Time

The tender offer indicates company's manageable liquidity position after PGN extended the maturities of shareholder loans to Saka Energi in Sep'21. We maintain our OW recommendation and deem SAKAEI'24 an leverage play on Indonesia sovereign given the spread differential and cross default with PGN. The spread between SAKAEI'24 and PGASIJ'24 has tightened 50bps to c370bps since [our coverage initiation in Dec'21](#) and we still see room for spread compression of 100-150bps.

➤ **INDYIJ: Sale of its entire 69.8% stake of Petrosea for USD146.6mn**

Indika Energy signed a Conditional Sale and Purchase Agreement to sell all its 69.8% stake of Petrosea to PT Caraka Reksa Optima for USD146.58mn. Transaction is expected to close by May 2022, with a valuation of Petrosea at 6.4x PE, which is a fair for a coal contractor. This is Indika's initiative to diversify away from coal, as Petrosea contributes 16% of its total revenue. We expect Indika will redeploy this sales proceed for its non-coal projects, to achieve its target of 50% revenue share from non-coal by 2025. We maintain OW on INDYIJ, [see our initiation](#)

➤ **Offshore Asia New Issues (Priced)**

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Xinjiang Financial Investment	67	3	5.6%	5.6%	-/BB+
Xinjiang Financial Investment (with ICBC SBLC)	28	3	2.7%	2.7%	-/-/
Xinjiang Financial Investment (with BOC SBLC)	20	3	2.7%	2.7%	-/-/

➤ **Offshore Asia New Issues (Pipeline)**

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 57 credit bonds issued yesterday with an amount of RMB48bn. As for Month-to-date, 57 credit bonds were issued with a total amount of RMB48bn raised, representing a 2.9% yoy decrease
- **[AGILE]** further repurchases USD 44.1mn of 6.7% senior notes due on 7 March 2022
- **[CHINSC]** remits funds for repayment of 5.875% senior notes due 10 March 2022
- **[FTHDGR]** chairman punished by Hong Kong bourse for breach of agreement
- **[LIOCAP]** cancels USD 37.55mn of 6.5% senior notes due 2022
- **[LNGFOR]** CEO Shao Mingxiao resigns but appointed as board vice chairman; Chen Xuping appointed as CEO
- **[REDPRO]** rating lowered to 'B-' from 'B' and placed on CreditWatch Negative amid weakened liquidity – S&P
- **[SAKAEI]** is launching a tender offer for SAKAEI '24 with tender price of 97.75% (75bps early tender premium); tender size capped at USD 200mn
- **[SUNAC]** in talks with Cinda to sell property assets in Shanghai and Beijing

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