

CMBI Credit Commentary

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

- *Markets were in a soft tone this morning. New issue BOCAVI'28 slightly tightened but was weaker in cash price as rates rose, SDEXPR'26 edged up 0.1pt with buying flows from banks.*
- **Saka Energi:** *SAKAEI'24 remains to be a good short-dated and leverage play. See below.*
- **PCORPM:** *Plans to redeem PCORPM 4.6 Perp on the first call date in Jul'23. See below.*

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IG space had a weak session. Flows were light but skewed to better-offered. BOC Aviation announced to print a new USD500mn 5Y bond, and we saw active two-way flows on existing BOCAVI curve. BOCAVI 23s/24s were under better selling, while its 25-33s had mixed two-way flows. In financials, some Chinese T2s were under selling from PBs. CCB/CINDBK/ICBCAS widened 4-8bps. In AMCs, we saw sellers on the front-end on CCAMCL curve. HRINTHs edged 3-7bps wider across the curve. Chinese SOEs such as HAOHUA/CHGRID narrowed 2-4bps. TMT benchmarks remained under better buying. TENCNT/BIDU curve grinded 1-5bps tighter. Elsewhere, Korea space was better bid. SKONKR/KOMRMR/CITNAT closed 1-3bps tighter. Chinese properties remained weak. DALWANs closed another 1-1.5pts lower after falling 3.5-4.5pts on Mon. CHINSC '24 slumped 5.75pts while the rest of the curve was traded around 2.75pts lower. COGARDs/CSCHCNs were quoted 1-3pts lower across the curve. SHUION 25s/26s dropped around 3-4pts. AGILE/ROADKG Perps declined 2-3pts, while the rest of the curves were marked down 1-2pts. GRNLGRs/CIFIHG/PWRLNGs moved 0.5-2pts lower. Industrials performed mixed. FOSUNs gained 0.75-1.75pts across the curve. Whilst EHICAR '26 was marked 2.25pts lower, HILOHO '24 was down 1pt. Macau gaming names such as MPELs/SANLTDs/STCITYs were traded 0.5-1pt lower. Indian space was quiet. Adani complex BBB bonds ADSEZs/ADANEMs lowered 0.25-0.5pt. Indonesian oil name MEDCIJs were down 0.25-0.5pt. Elsewhere, GLPCHI 24s/26s were traded down 1.5-2pts.

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The LGFV/Perp/Asia AT1 spaces were largely firm, as flows remained lackluster. In LGFVs, there were two-way flows primarily in the front end of the space. The high yielding ($\geq 6.5\%$) names were still better demanded by both PBs and RMs. Shandong High-Speed Group priced the USD300mn 3Y bond at par to yield 5.1%. CNSHAN/SDEXPR curves had active two-way flows skewed to better buying amid the new guaranteed bond pricing. SOE Perps and Chinese AT1s were largely stable. Elsewhere in the rest of AT1 space, we saw mixed two-way flows mainly from PBs and HSBC/STANLN Perps moved 0.125pt higher. NWDEVL Perps dropped another 4-5pts, whilst

other HK names were relatively stable with more support.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GZHRCB 5.9 PERP	96.5	1.7	CHINSC 7 3/8 04/09/24	41.7	-5.7
FOSUNI 5.95 10/19/25	74.9	1.6	NWDEVL 4.8 PERP	56.0	-5.2
FOSUNI 6.85 07/02/24	87.4	0.9	NWDEVL 6 1/4 PERP	68.6	-4.5
FOSUNI 5 05/18/26	64.8	0.9	NWDEVL 5 1/4 PERP	78.2	-4.1
YLLGSP 6.8 02/27/24	98.0	0.6	SHUION 5 1/2 03/03/25	80.1	-4.1

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.64%), Dow (-1.01%) and Nasdaq (-0.18%) were weak amid the worries on debt ceiling talks. The Apr'23 retail sales of the US increased 0.4% mom and was lower than expectation of +0.8% mom. The Apr'23 industrial output of the US was +0.5% mom, higher than expectation of -0.1% mom. The US treasury edged up yesterday, the 2/5/10/30 yields reached 4.06%/3.52%/3.54%/3.87%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Saka Energi: SAKAEI'24 remains to be a good short-dated and leverage play

At 97.5, SAKAEI'24 is trading at a YTM of 7.2% and yield pick-up of 203bps over PGASIJ'24 (mid px 100.0, YTM 5.1%) despite the pick-up had narrowed notably since Jul'22. Nonetheless, we continue to view SAKAEI a good short-dated play, as well as a good leverage play on PGAS in view of Saka Energi's significant improvement in credit profile and the track record of support from PGAS. Saka Energi is a "material subsidiary" of PGN, and the default of Saka Energi, if any, will trigger the cross default of PGN. We believe that PGN will continue to have a strong incentive to support Saka Energi, if needed.

Given the higher ASP and increase in production volume, Saka Energi generated large free cash flows in FY21 and FY22. Saka Energi's realized ASP on oil and natural gas was USD71.2/bbl and USD4.3/mmbtu in FY21, and USD100.1/bbl and USD6.2/mmbtu in FY22, respectively, compared with USD41.2/bbl and USD1.9/mmbtu in FY20. As a result, it managed to bring its net debt down 58.9% to USD337.2mn over the 2 years to Dec'22. Its net debt/EBITDA was 0.7x in FY22, compared with 8.1x in FY20.

Saka Energi early redeemed USD248.8mn of SAKAEI'24 through market repurchases and tender offer during FY22. The outstanding amount of SAKAEI'24 reduced to USD376.2mn from USD625mn. As at Dec'22, it has cash on hand of USD407.7mn and short-term debt of USD77.6mn. The short-term debt was part of the shareholder's loan from PGN and was repaid in Jan'23. Another 2 tranches of PGN loans totaled USD283mn will maturity in Dec'24 and Dec'25, after the maturity of the USD bonds in May'24. Saka Energi guided a production volume of 25-30 mboepd in FY23. Assuming its realized ASP moderating (let's say, by 30%) to cUSD70/bbl for oil and cUSD4.3/mmbtu, we expect its cash flow from operations to be similar to the level in FY21, i.e. cUSD220mn. This, coupled with its cash on hand of cUSD330mn after the repayment of ST shareholder's loan, should be adequate to cover its budgeted capex and debt repayments over the coming 12-18 months.

SAKAEI over PGSAIJ



Source: Bloomberg.

➤ **PCORPM: plans to redeem PCORPM 4.6 Perp on the first call date in Jul'23**

Petron Corp's parent company San Miguel said they have already arranged USD350mn to redeem PCORPM 4.6 Perp on the first call date on 19 Jul'23. This is in line with our expectation as we view the certainty of being called is high for perps with coupon reset and a high step-up as detailed in our [Asia Credit Outlook 2023 – After dawn](#) published in Jan. For PCORPM 4.6 Perp, the coupon will be increased to 5yr UST+4.77%, i.e. c8.3%, from 4.6% on its first reset date on Jul'23 based on the current 5yr UST.

The outstanding amount of PCORPM 4.6 Perp is USD477.5mn. While its parent company San Miguel will fund USD350mn, Petron is planning to issue PHP20bn (cUSD356mn) preference shares to pay the remaining and this is waiting for the regulatory approval. It could be upsized by additional PHP10bn when there is oversubscription. With the total cash balance of PHP30.7bn (cUSD550mn) at Mar'23, the company has sufficient liquidity to fill in the difference, i.e. USD127.5mn or PHP7.2bn, if there is a delay in the preference shares issuance. Or it could opt for other financing channel such as bank borrowing to fund the gap partially or fully, in our view. It generated operating cash inflow of PHP19.8bn during 1Q23, compared with an outflow of PHP2.3bn in 1Q22, also demonstrating its liquidity. Furthermore, it recorded 10% increase in revenue during 1Q23 attributable to the growth in sales volume, offset the impact of decrease in crude oil prices. PCORPM 4.6 Perp is trading at 97.2 with YTC of 21.5% this morning.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
BOC Aviation	500	5yr	4.5%	T+120	-/A-/A-
Shandong Hi-Speed	300	3yr	4.5%	5.1%	A3/-/A
Singapore Technologies Engineering	500	3yr	4.125%	T+60	Aaa/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Credit Guarantee Fund	USD	-	3yr	T+155	Aa2/AA/-

➤ News and market color

- Regarding onshore primary issuances, there were 34 credit bonds issued yesterday with an amount of RMB64bn. As for Month-to-date, 308 credit bonds were issued with a total amount of RMB371bn raised, representing a 26.8% yoy increase
- NBS published 4M23 new home price movement of 70 major cities that the price of 17 cities got yoy increase and 53 cities got yoy down
- **[CHJMAO]** China Jinmao proposes to offer up to RMB5bn corporate bonds to repay debts
- **[CIFIHG]** CIFI Holdings unit CIFI Ever Sunshine Services changed auditor to completes FY22 audit
- **[GCLNE]** GCL New Energy repurchased and canceled USD25.65mn of GCLNE 10 01/30/24 in open market
- **[SINOCE]** Sino-Ocean to receive RMB8bn credit line from China Minsheng Bank
- **[SKYFAM]** Skyfame Realty's shareholders approve for RMB542mn (cUSD77.8mn) sale of 73.73% stake of Chongqing Skyfame Linxifu project
- **[VEDLN]** Media reported that Vedanta expects to improve its margins to c35% in FY24 from 16.4% in FY23 based on lower input costs

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