

CMBI Credit Commentary

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

- *Flow turned thin approaching Chinese New Year Holiday and ahead of FOMC meeting. Media reported that SHIMAO hired independent financial advisor per offshore syndicated loan holders' request. SHIMAO curve down 2-3pts this morning. See below.*
- *INDYIJ: Indonesian government plans to revise domestic market obligation (DMO) mechanism, which is a moderate credit negative to Indika, in our view. But we assess Indika has buffer to mitigate the adverse impact from this regulatory change and maintain OW on INDYIJ'24 and '25 on the back of elevated coal price. See below.*
- *SANLTD: announced exchange offer for SANLTD'27, '29 and '31 to bonds with the only changes being registered under the US Securities Act of 1933. The exchange offer is a non-event for the credit of Sands China. See below.*

❖ Trading desk comments 交易平台市场观点

China HY flows kept slowing down ahead of Chinese New Year holiday next week. Yesterday, China HY property space remained mixed. SHIMAO curve saw buying interests and traded up 4-5pts post headline on asset disposal. LOGPH traded up 1-2pts. In addition, KAISAG advanced 1-2pts after Cailian reported that a Shenzhen SOE is potentially acquiring one of Kaisa's non-core assets, but Kaisa denied the news. In the industrial space, FOSUNI up 1-2pts while names like HONGQI/WESCHI traded relatively stable and closed unchanged.

IG market remained relatively quiet ahead of FOMC meeting with benchmark spread unchanged. SOE names such as HAOHUA/SINOCH narrowed 3-5bps with light buying interests in the market, while TMT sector bonds like BABA traded slightly down for the day. In financial sector, the newly issued CCAMCL '27 note saw street buying interests and spread narrowed to T+161 in the early session, but retreated a bit in the afternoon and closed 12bps tighter from reoffer. In addition, the new ICBCIL '25 note saw light demands and closed 1-2bps tighter.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
SHIMAO 3.975 09/16/23	56.8	4.5	JINGRU 12 01/28/24	33.6	-4.5
SHIMAO 3.45 01/11/31	46.6	4.4	FTLNHD 4.8 12/15/24	72.4	-2.3
SHIMAO 6 1/8 02/21/24	52.9	4.2	FTLNHD 6.8 08/05/23	78.0	-2.3
CENCHI 7.65 08/27/23	55.5	4.1	FUTLAN 6 08/12/24	66.6	-1.9
SHIMAO 5.6 07/15/26	50.7	4.0	SUNSHI 10 1/4 03/18/22	24.1	-1.8

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock indexes tumbled in a second straight trading day, highlighting investor anxiety over the likely path of Federal Reserve interest-rate increases ahead of the central bank's regular meeting. The S&P fell (-1.2%), Nasdaq (-2.3%), Dow (-0.2%). U.S. Treasury yield curve shifted upward slightly last night. The yield on the benchmark 10Y Treasury note up to 1.78%. The 1/5/30Y yields rose to 0.65/1.56/2.12% respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **Potential change in DMO mechanism a moderate credit negative to Indika**

Indonesia's domestic coal shortage has triggered a one-month coal export ban in January, irrespective of whether Indonesian coal miners have been compliant with the domestic market obligation (DMO). While the government has lifted this export ban quickly, it is working to ensure domestic coal supply, and lower likelihood of outright coal export ban in the future, given Indonesia is the largest thermal coal exporter globally.

Indonesian government plans to revise the coal industry regulatory framework, potentially move from the implementation of DMO to a market-based pricing mechanism – where Perusahaan Listrik Negara (PLN) will procure coals based on market price, partly funded from a cash levies fund. This could mean higher royalties on coal miners to contribute to such cash levies fund, and potential working capital outflow for coal miners, given there is usually delay in PLN settling its purchase payment compared to immediate outlay from extra royalties on coal sale.

While the revised framework and the potential extra royalties % remain uncertain, we assess Indika has buffer to mitigate the adverse impact from this regulatory change. This is because Indika has been supplying 33%-35% of coal domestically, well exceeding DMO's current 25% requirement. We are still OW on INDYIJ ('24 YTM~5.97%, at 99.758) and ('25 YTM~7.59% at 101.572) on the back of elevated coal price.

➤ **SANLTD: Exchange offer is a non-event**

Sands China announced an exchange offer for SANLTD'27, '29 and '31 to bonds with same terms such as coupon rates and maturities. The only changes are the exchanged new bonds will be registered under the US Securities Act of 1933 to widen the investor base in the US. Sands China completed a similar exchange offer in Feb'21 for SANLTD'26 and '30. The exchange offer is a non-event for the credit of Sands China.

➤ **SHIMAO: Hire independent financial advisor per offshore syndicated loan holders' request**

Shimao hires Deloitte as independent financial advisor per offshore syndicated loan holders' request. It shows syndicated loan lenders' concern about the financial health of Shimao. Media reported that company has 4 syndicated loans due May'22 (USD1.3bn), Sep'22(USD1.4bn), Aug'23(USD1.3bn) and Apr'25(USD1.3bn) with total amount of USD5.38bn. We remain concerns on the negative headline risk of SHIMAOs. SHIMAO curve down 2-3pts post news this morning.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **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 73 credit bonds issued yesterday with an amount of RMB52bn. As for Month-to-date, 1541 credit bonds were issued with a total amount of RMB1582bn raised, representing a 7.9% yoy increase
- **[CAPG]** ad hoc noteholder group appoints Moelis, Weil Gotshal for restructuring talks
- **[FRETAI]** independent directors to reject Amazon request; the Company plans to approach Supreme Court seeking extension on repayments
- **[FRETAI]** missed coupon on 22 Jan '21; we expect Future Retail to make the coupon before the end of grace period ended 21 Feb '21
- **[GCLPOL]** redeems USD 76.9mn 10% notes due 2024. Upon the completion of this partial redemption and cancellation of the Redeemed Notes, the aggregate outstanding principal amount of the Notes is USD 419.96mn
- **[KAISAG]** denies signing acquisition Lol with Shenzhen Investment Holdings
- **[REDSUN]** repurchases USD 48.2mn of 9.95% senior notes due 2022 in open market

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