

CMBI Credit Commentary

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

- *New Issue STESP 27 saw fast money and international account selling, widened to T5+75/71 (vs RO T5+68). STESP 32 also widened to 112/106.*
- *IG spreads also widened 2-4bps this morning, except for front-end. High-yield mostly unchanged to 0.5pt lower. RONXIN 8.75 '22 is notable outperformer recovered to 35 handle after news that the company wired funds to repay its onshore bond due this Friday.*
- *EDU: Neutral at 94 (YTM~4.2%) as business transition not out of wood. Limited upside except for company's repurchase (O/S USD 89mn).*

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❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese HY property space took a breather alongside recovery in offshore equity market. While the trading flow still remains relatively low, we saw high quality names like COGARD rose 1pt and CIFIHG/SUNAC/JIAYUA rose around 0.5pt. RONXIN Oct'22 traded up 4pts, and rest of its curve traded up 1-2pt on the back of news that the company remitted funds to redeem RMB717mn onshore bond due Friday. On the other hand, we saw other property names like GRNLGR/KWGPRO/ZHPRHK down 0.5-1.5pt. The Macau gaming sector was weak amid ongoing strict covid restrictions in China, SANLTD down around 1pt.

China IG market remained lacklustre. In SOE sector, CHGRID and CSSSHI continued to widen 4-6bps. Benchmark names in TMT sector continued to perform weak and MEITUA/LENOVO widened 5-12bps. In financial spaces, AT1 names dropped around 0.125pt.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
RONXIN 8 3/4 10/25/22	33.3	4.1	ZHLGHD 12 04/17/23	24.3	-3.8
COGARD 7 1/4 04/08/26	69.8	1.9	GRNLGR 6 3/4 09/26/23	63.3	-3.2
COGARD 6 1/2 04/08/24	77.6	1.9	XIN 14 1/2 09/17/23	35.4	-2.9
RONXIN 8.95 01/22/23	23.1	1.9	SHIMAO 5.2 01/16/27	22.6	-2.9
SUNAC 7 1/4 06/14/22	34.1	1.8	REDSUN 9 1/2 09/20/23	26.0	-2.6

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market ended lower yesterday, as investors remained concerns over Federal Reserve rate hikes and China's Covid lockdown. The S&P (-2.81%), Nasdaq (-3.95%), and Dow (-2.38%) closed lower. Risk assets underperformed in general as ongoing surge in Covid infection in China that could trigger a lockdown order in Beijing and is likely to keep supply chains disrupted across a number of business sectors, while adding to inflation pressures over the coming months. UST bonds outperformed, with Treasury yield 1/5/10/30 year retreating to 1.99/2.79/2.77/2.86% respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **EDU – Business transition still ongoing, Neutral at 94 (YTM~4.2%)**

New Oriental Education reported quarterly 3QFY2022 (Dec'21 – Feb'22) results yesterday, which has yet to show signs of turnaround in its remaining business, after it exited academic tutoring business (K9) to comply with new Chinese government policies as at 31 Dec' 2021.

The company has downsized to 847 learning centers as of 28 Feb 2022, from 1,669 centers in May 2022. With that, it already recorded high one-off restructuring cost that resulted in net loss of USD 907mn in 1H FY2022. The company targets to further scale down to 600 learning centers by FYE2022.

In 3QFY2022, New Oriental Education recorded revenue of USD 614mn (-48% yoy), negative EBITDA of USD 141mn and net loss of USD 122mn. Management revealed at its results call that the company incurred expenses to cultivate new business initiative (i.e. non-academic courses). While as its key remaining business, i.e. overseas test prep business and overseas study consulting business had steady growth of 8% yoy and 26% yoy in 9M FY2022, with an operating margin of 15% -20%.

Liquidity remains abundant for the company to maneuver its business transition. New Oriental Education has USD 4.4bn cash and short-term investment, against total debt of USD 871mn (incl operating lease liabilities of USD 758mn). We find EDU '25 at 94 (YTM~4.2%) has limited upside except for company's repurchase.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Singapore Technologies Engineering	USD 300	10	3.75	3.809	Aaa/-/-
Singapore Technologies Engineering	USD 700	5	3.375	3.468	Aaa/-/-
Xiangyu Investment	USD 200	5	5	5	-/-/-
Lanxi Transportation	USD 100	3	3.9	3.9	-/-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Mineral Resources	USD	400	8	8.5/8.75	Ba3/-/BB
Mineral Resources	USD	400	5.5	8/8.25	Ba3/-/BB

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 111 credit bonds issued yesterday with an amount of RMB84bn. As for Month-to-date, 1,496 credit bonds were issued with a total amount of RMB1,562bn raised, representing a 10.6% yoy decrease.
- **[BUMIJ]** completes implementation of private placement, MCB conversion
- **[CHIGRA]** proposes to offer RMB 2bn corporate bonds
- **[GLP]** outlook revised to stable from negative; affirmed at BBB by Fitch
- **[LOGPH]** Logan unit Shenzhen Logan completes procedure regarding pledge of 36% stakes in two property project firms to guarantee '19Longkong01' bonds
- **[SHIMAO]** Shimao cites sufficient consents for deferral of today's put on domestic private notes
- **[VCREDI]** pays USD14.165mn to repurchase USD14.91mn of 11.0% senior notes due 2022
- **[YUNINV]** raises RMB1bn via 90-day notes at 5.6%

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