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In the current low yield, low risk premium environment, investment managers are seeking strategies to improve alpha generation. The growth and liquidity of the credit default swap market in corporate bonds, asset-backed securities and commercial mortgage-backed securities provide the tools for implementing effective long-short active strategies. We begin this issue of *The Journal of Fixed Income* with a paper by Frederick E. Dopfel and Sunder R. Ramkumar that defines the efficiency gains of long-short active strategies. They demonstrate that the magnitude of gains for long-short investment-grade and high yield credit are comparable to the well-known benefits previously found for long-short equity strategies. It's clear that relaxing fixed-income mandate guidelines to include long-short credit derivatives are essential to improving investment performance.

In the next article, Professor Kenneth N. Daniels and Malene Shin Jensen empirically examine the relationships between changes in credit ratings, credit spreads and credit default swaps (CDS). Consistent with the more liquid market, CDS react faster and more significantly than the cash market to changes in credit ratings. Then, Professor Hans NE Bystrom provides a methodology for extracting default probabilities from quoted CDS index spreads. Furthermore, Abel Elizalde decomposes credit risk correlation into factors that drive the evolution of spreads. In particular, stock market information represents the larger component of commonality among credit spreads than the term structure of interest rates.

The following article by Alexander V. Kozhemiakin analyzes compensation for equivalent credit ratings in emerging versus high yield markets. Even with adjustments for the nonsynchronous macro cycles, emerging market bonds outperform their respective high yield rating class.

Finally, Professors Andrew H. Chen, Joseph Kang and Baochen Yang develop a convexity-based cross hedge with Treasury futures contracts. This hedge is most valuable when high-duration bonds are hedged, the term structure of interest rates is steep and the cheapest to deliver bond pays a high coupon.

We hope you enjoy this issue of *The Journal of Fixed Income.* Your continued support of the Journal is greatly appreciated.

Stanley J. Kon
Editor