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The structured finance market has exhibited enormous growth over the last several years. It is particularly interesting that these secured bonds have wider spreads (risk premia) than equivalently rated unsecured corporate bonds. We begin this issue of *The Journal of Fixed Income* with an article by Jian Hu and Richard Cantor concerning the relationship between issuance spreads and credit performance of these structured securities. Their evidence indicates structured finance spreads contain strong systematic components that are more significant in Aaa than in Baa spreads. They argue that the difference between structured finance and corporate spreads are related to liquidity, market maturity, investor constraints, interest rate and prepayment risk. The largest sector of the fixed income market is residential mortgages. In the next article, Mo Chaudhury employs an empirical model for explaining the variation of aggregate mortgage debt in the economy. Interestingly, short rates or the slope of the curve is not a significant variable.

Next, we turn our attention to derivatives and their usefulness in fixed income asset management. Felix Goltz, Lionel Martellini and Volker Ziemann provide a useful framework for analyzing the benefits of options and futures contracts, especially for minimizing extreme risks. Then, Michel Gendron, Van Son Lai and Issouf Soumare analyze the multi-year risk management decisions of credit-enhanced debt contracts on the value of an insurer's credit insurance portfolio. Important determinants include diversification and capital allocation.

In the next article, Naren Pappu, S. Lakshmiarahan and Duane Stock derive a model for the time dependent conditional variance of price changes as a function of duration and convexity. This approach fits the standard GARCH specification for estimation. Finally, Thomas Moosbrucker proposes a valuation method for CDS index tranches with Variance Gamma processes and distributions. The VG copula leads to a dependence structure that fits the observed tranche spreads.

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