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The exponentially growing credit default swap market is providing significant opportunities for corporate risk shifting. The pricing model traders use are important to the success of their intentions. We begin this issue of *The Journal of Fixed Income* with an article by Ren-Raw Chen, Frank J. Fabozzi, Ging-Ging Pan and Ronald Sverdlove. They provide empirical evidence on the effect of model assumptions in explaining CDS spreads. Their results indicate that interest rates and recovery assumptions are important, but continuous versus single default is not. In the next article, Martin Fridson and Karen Sterling examine "fallen angels" and conclude they are best described as a separate asset class with a better information ratio than original issue high yield bonds. Next, Alexander Kozhemiakin argues that expected alpha generation in the corporate market should be conditional on the opportunity set. Therefore, he advocates a switch from fixed to floating alpha targets.

Valuation and risk management of mortgage-backed securities depend on its imbedded option. An important input is volatility. Ranjit Bhattacharjee, Branislav Radak and Robert Russell examine effects of volatility skew on discount, premium and interest only mortgage backed securities. In the next article, Stewart Hodges and Naru Parekh provide a framework for managing slope risk and the implications for convexity measurement.

Finally, Michael J. Bazdarich decomposes surplus (relative to defined benefit liabilities) optimal portfolios into combinations of a full-hedge of liabilities and suitable exposure in that overlay with maximum sharpe ratio. He clearly shows that there is a trade-off between those allocations which minimize risk and those which can be expected to maintain or improve funding ratios.

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