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The mortgage crisis that began last summer has morphed into severe stress on the entire financial system. Coupled with rising commodity prices and a consumer led recession, a special issue of *The Journal of Fixed Income* on credit risk is timely, especially since the commensurate increase in default experience has yet to materialize. The articles in this issue were selected from the proceedings of the 2008 Midwest Finance Association conference in San Antonio, Texas. Special thanks for the editorial collaboration from Ren-Raw Chen, Sanjiv Das and Jean Helwege.

In the first article, Nikola Tarashev and Haibin Shu provide evidence on correlated default risk by comparing correlations in single-name CDS with index CDS and find a substantial time-varying correlation risk premium. Next, Michael Kunisch and Marliese Uhrig-Homburg model defaults in a portfolio as a function of relevant economic factors for determining correlations in default intensities. Both common risk factors and contagion effects drive the structure. Next, Frank Xiaoling Zhang examines the Argentine credit default swap market and finds a substantial default risk premium that varies with the probability of default and the business cycle.

There is controversy in the literature on the shape of the credit curve by coupon and by quality. In the next article, Jing-zhi Huang and Xiongfei Zhang provide empirical evidence of an upward-sloping credit spread curve for investment grade and high yield bonds for both zero-coupon and coupon bonds.

Bond portfolio managers are generally concerned about the adverse price effect of a downgrade below investment grade. Brent Ambrose, Nianyun Cai, and Jean Helwege examine insurance company bond sales to ascertain the extent of forced selling of fallen angels. They conclude that the overall magnitude of fallen angel sales relative to aggregate holdings does not support the notion of regulatory pressure for wholesale liquidation of these bonds.

Finally, the complexity and misunderstood risk characteristics of Collateralized Debt Obligations (CDOs) played an important role in the current credit crisis. Kridsda Nimmanunta, Anant Chiarawongse and Sunti Tirapat devise a framework for pricing CDOs with Meixner distributions. Compared to existing methods, their model provides more reasonable risk measures and lower pricing errors.

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