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What began as a mortgage and liquidity crisis morphed into a downward price spiral and is now devastating the real economy. Credit risk is front and center. Hence, in this issue of *The Journal of Fixed Income* we begin with an article by Thomas Ho and Sang Bin Lee. They derive a model that can value bonds and derivatives that have embedded options with credit and interest rate risks. The model also specifies the key rate durations for each risk that are necessary for dynamic hedging. Next, Caitlin Ann Greatrex examines the changes in credit default swap spreads. The findings indicate that leverage, volatility, and a CDS index explain these spread changes.

Over the last year and a half, fixed-income markets have exhibited unprecedented volatility. Lei Meng, Owain ap Gwilym, and Jose Varas investigate volatility transmission among the CDS, equity, and bond markets. Their findings suggest that innovation in any the three markets can cause an increase in trading activity in the other markets, but that none of these markets is more efficient than the others.

Extreme market movements also raise asset allocation issues. Dale Domian and William Reichenstein present a returns-based style analysis of convertible bond funds. Their analysis indicates that these funds have implied stock exposures from 50% to 80%, and the stock exposure is small-cap growth. In the next article, Andrew Kalotay and Michael Dorigan show that the call feature in municipal bonds causes the tax-exempt yield curve to always slope upwards, regardless of the shape of the underlying optionless yield curve.

Finally, Pouyan Mashayekh-Ahangarani employs a cointegration model to explain the structural change in Treasury-mortgage spreads during the credit crunch. Furthermore, ABX derivatives provide a useful additional hedge instrument.

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

Publisher's Note: Because the Winter issue is received in the new year, we are calling this the Winter 2009 issue instead of Winter 2008. This practice will continue going forward. The volume and number remain in correct sequence.