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THE JOURNAL OF Fixed INCOME

The Summer 1991 inaugural issue of *The Journal of Fixed Income* was launched by founding Editor Douglas T. Breeden. Breeden at the time, and continues to be, deeply involved in the theory and practice of fixed income portfolio management. It was his vision that more cross-fertilization of Wall Street and academic researchers would lead to significant advancements in our knowledge base and applications. The goal has always been to improve the state of the art and science of risk management and the performance of bond portfolios. So, how has the profession evolved and how has *The Journal of Fixed Income* contributed?

Answering this question in a 30th Anniversary Special Issue contains a combination of a walk down memory lane, assessing the impact of what we have learned, adding some new insights and looking at what is forthcoming. I am extremely grateful to the authors in this issue for sharing their cumulative perspective as well as their valuable contributions to the profession.

In 1997, I left a 22-year academic career to practice what I had been preaching in teaching and research at Smith Breeden Associates, Inc. I quickly learned that the application of theory to practice had many nuances and technical factors to deal with. The first thing I noticed on everyone's bookshelf at Smith Breeden, at visits to research departments on Wall Street, and on visits to institutional clients, were copies of Frank J. Fabozzi's Handbooks followed by his books on advanced topics in fixed income. Fabozzi has also published hundreds of articles in top academic journals and books to produce and disseminate our knowledge base.

When I started to think about a special 30th anniversary issue more than three years ago, Fabozzi generously committed to the comprehensive project of assessing the impact of *The Journal of Fixed Income* on the profession. The results are divided into the two lead articles evaluating the contributions to fixed-income analytics and mortgage-backed securities (MBS) analysis, respectively. These articles provide perspective for those of us that have been in the field for many years to think about future enhancements as well as a comprehensive guide to learning about fixed income portfolio management in academic settings and career development.

"The Term Structure and World Economic Growth" article by Campbell R. Harvey was prominently displayed in the inaugural issue of *The Journal of Fixed Income* in 1991. In the next article in this issue, Harvey examines the success of his yield curve model for predicting recessions over the last 30 years (out of sample) since his inaugural issue publication. 100% accurate! Harvey's research continues to have a major impact on the risk management decisions of portfolio managers, including in the current economic environment. This article is a fascinating read from his idea inception, insights, and the research process.

Obtaining, analyzing, and interpreting interest rates are essential to fixed income portfolio management. I suspect you want to know the impact of central bank policy on the entire state price distribution for future interest rates. In the next article, Douglas T. Breeden and Robert H. Litzenberger apply their option-based methodology to the past 20 years of massive central bank interventions in the United States, United Kingdom and Eurozone. This is clearly an important technique for assessing

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current central bank interventions and how they will affect the future distribution of interest rates.

The research group at Barclays have published an enormous number of valuable insights, analytic and empirical models for managing fixed income portfolios in the *The Journal of Fixed Income* and elsewhere. Their contributions are great examples of Douglas T. Breeden's vision for our journal. In the next article, Arik Ben Dor, Albert Desclée, Lev Dynkin, Jay Hyman, Jeff Meli, and Simon Polbennikov deliver a comprehensive assessment of quantitative methods for credit portfolio risk management and alpha generation.

Finally, the last and least article is from me. Back in my research days at Smith Breeden Associates, Inc., we needed a methodology for performance attribution of fixed income portfolios that was independent of our analytic models to detect any systematic biases in estimated risk exposure sensitivities which would misallocate performance attribution. It was an important part of the investment process to have a feedback mechanism to create unbiased estimates, hedge away risks that did not provide sufficient compensation, and isolate our alpha generation. Hence, we could provide clients with high information ratios. I had not intended to publish this article beforehand, but it seemed to fit well with this 30th anniversary issue. Even though the data is not current, it stands as a methodology article.

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