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Our lead article, by Wolfe, Daliakopoulos, and ap Gwilym, offers an insightful study of the U.K. market on the impact of convertible bond, straight debt, and rights issues on underlying stock prices, and shows patterns similar to the U.S. market in several respects. In the second article, Hood discusses the spreads on investment-grade private placements versus public investment-grade bonds, with some interesting conclusions of wider spreads in the former due to monitoring costs and illiquidity.

Our Special Symposium on Term Structure Models and Interest Rate Volatility offers a number of important and timely articles. Leading off is an examination of short-term interest rate levels after 1982 by Zhang, which shows that while volatility of interest rate changes is related to interest rate levels, as in earlier periods, the sensitivity is much lower than previously reported.

Navas prices caps and swaptions in the Spanish market using three classic models to compare and contrast derivatives prices and term structures. In the next article, Wadhwa examines U.S. dollar-LIBOR market volatility and identifies various factors driving movement in the caplet and swaption markets.

Boyle and Tian offer an approximation to stochastic interest rate models that is based on a quadratic interest rate model. This article presents a number of examples to illustrate the accuracy of the approximation. Kupiec and Kah's article is a strong case against the common misconception that option-adjusted spreads measure the expected risk premium compensation for bearing prepayment risk. In the last article, Merrill and Dutta present a bond pricing model using a three-factor affine term structure model.

We hope you find this issue of *JFI* to be informative and beneficial. We appreciate your continued support. Thank you.

Douglas T. Breeden
Editor