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Alpha transport is a hot topic in the world of institutional investment management these days. Given the difficulty in finding managers who can generate a consistent alpha over time, porting that alpha to beta exposures desired by plan sponsors is appealing. This requires synthetic indices that can replicate these beta exposures with a reasonable level of tracking error and little give up in excess return. Then the cash can be invested in the alpha generating strategy. We begin this issue of *The Journal of Fixed Income* with an article by Lev Dynkin, Anthony Gould, and Vadim Konstantinovsky on replicating bond indices. They analyze the synthetic replication with liquid derivatives of the Lehman Global Aggregate Index and its components and find remarkable results.

In the next article, Professors Choong Tze Chua, Winston T. H. Koh, and Krishna Ramaswamy provide evidence on the value of trading strategies based on mean reversion of the Treasury yield curve. They find several profitable strategies with superior risk-adjusted performance to government bond and S&P stock benchmark indices. The next article concerns the valuation of mortgage-backed securities. Ranjit Bhattacharjee and Lakhbir Hayre relax the usual constant spread to a benchmark interest rate for mortgage rates in option-adjusted spread technology. In fact, they provide an empirically superior model that projects mortgage rates by taking into account the optionality embedded in the rate itself.

In the next article, Professors Olaf Korn and Christian Koziol employ a multifactor Vasicek term structure model for government bond portfolio optimization. They examine empirically the issues of diversification, number of bonds in the portfolio, maturity effects and complexity of the term structure model. Next, J. Benson Durham explores jump processes for the short rate in the term structure and a variety of distributional assumptions.

Finally, Jeroen Kerkhof investigates a bootstrap method to include estimation risk when computing exotic interest rate derivative prices. Hence, price ranges are proposed for setting up reserves on trading desks.

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