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We know that the returns on fixed income portfolios contain non-linear functions of interest rates. Hence, analysis of extreme risks presents a challenge for value at risk analysis that is crucial in managing fixed income hedge fund strategies. We begin this issue of *The Journal of Fixed Income* with an article by Professors Lionel Martellini and Jean-Christophe Meyfredi that employs a copula function to model the non-linear dependence for any multivariate distribution. They provide useful out-of-sample forecasts of extreme risk measures.

Structured products are now commonplace in financial markets. Mathieu Dieudonne and Jean-Christophe Cutillet show there exists an optimal combination of structured products when leveraging a fixed income portfolio. They also provide both value at risk and coupon at risk analysis.

The remaining articles all involve credit risk. Professor Dror Parnes employs an economic parameter, the market-density to improve the estimation of credit ratings migration. Then, Professor Gunter Loffler shows how combining agency ratings and a market-based measure of default risk (e.g., Merton Model) improve the prediction of defaults. In the next article, Professors Cheng-kun Kuo and Chih-wei Lee develop a model that integrates market and credit risk. They provide evidence that value at risk based on their integrated methodology is superior to the traditional approach.

Finally, Mingyan Lin and Jean-Christophe Cutillet analyze the generally observed empirical negative correlation between credit spreads and interest rates. They consider default risk, downgrade risk, and liquidity risk as components of AA bank credit spreads. They find that the liquidity risk component is responsible for the negative correlation with interest rates while default risk is actually positively correlated with interest rates.

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

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