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The mortgage crisis is still front and center as the United States Government puts Fannie and Freddie in conservatorship. Many are wondering what the exposure is for taxpayers. In this issue of the Journal of Fixed Income we begin with an article on loss severity for residential mortgages by Lakhbir Hayre and Manish Saraf. They provide a sophisticated methodology for estimating the credit risk in a mortgage portfolio. Structured finance is also a headline item in the current credit crisis. In the next article, Daniel Newman, Frank Fabozzi, Douglas Lucas and Laurie Goodman present evidence on collateralized debt obligation (CDO) performance. Using rating changes as a measure of performance, they find that asset-backed CDOs performed considerably worse than other issues.

Managing fixed income portfolios during a crisis requires separation of fundamental risk and liquidity risk. Long-term investors are frequently well-positioned to exploit short-term liquidity crises. Swap spread behavior can provide information on liquidity demands in the marketplace. In the next article, Hossein Asgharian and Sonnie Karlsson analyze the determinants of U.S. swap spreads with sensible economic factors. By varying time horizons, the authors find that Treasury volatility, stock market volatility and the activity of MBS holders have influence on U.S. swap spreads. Another timely topic is the consideration of a potential crisis in a fixed income portfolio strategy. In the next article, Marie Briere and Ariane Szafarz define a crisis-robust portfolio strategy and the stabilizing role of low-quality bonds.

Treasury Inflation Protected Securities (TIPS) contain an embedded option that guarantees bondholders are not affected by deflation. In the next article, Gady Jacoby and Ilona Shiller value this option and estimate the effective duration of TIPS. Finally, in light of Basel II, Nicholas Kiefer demonstrates that practitioners should be aware that the short-term default experience of relatively new securities is likely to underpredict their true long-term default rate.

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