Interactive Data
CMS BondEdge is an Interactive Data division

On the Edge

Quarter 1, 2007, Volume 22, No. 1

New Year's Greeting from the President of CMS BondEdge

The enhancements introduced during the past year and those we look forward to releasing during 2007 are a reflection of several broad trends affecting the institutional fixed income marketplace. With 2007 upon us, we felt it timely to summarize recent product enhancements and review upcoming initiatives.

Chief among the trends observed is the ongoing quest for "alpha" in a relatively low interest rate environment. This need has led us to widen our derivative capabilities (e.g., credit default swaps), expand the coverage of non-vanilla security types, increase the data elements we carry, and enhance our prepayment modeling.

A single name credit default swap model (CDS) was integrated into BondEdge® during 2006. CDS are now supported throughout BondEdge, including appraisal reports, simulation and risk analysis, performance attribution, and cash flow testing. Later in 2007, both CDS and interest rate swaps will be supported via the BondEdge import routine, creating an automated method of creating and valuing these securities.

Comprehensive security coverage continued to be a priority in 2006. Several additional security types and data items were incorporated in various BondEdge databases during 2006, including: global coverage of government and corporate inflation linked securities, expanded interest rate and cash futures coverage, European ABS (non-prepay sensitive), interest-only MBS pools, expanded coverage of fixed to floating rate issues, and data pertinent to non-accruing/defaulted bonds. Fitch ratings were also added to BondEdge during 2006, as well as the ability to create user-defined ratings. User-control over CMO and ABS clean-up calls was also introduced.

A new fixed rate MBS prepayment model was released during 2006, utilizing additional collateral specific data such as loan purpose, loan-to-value ratios (LTV), loan size, and spread at time of origination (SATO). This additional level of granularity has particularly enhanced the performance of the prepayment model for MBS pools with non-standard characteristics (e.g., low loan balance pools). The new model is also more responsive to interest rate changes, resulting in a closer match to empirical durations and cash flows.

Additional MBS capabilities will be introduced early in 2007 with the addition of mortgage TBA CUSIPs to the BondEdge database, as well as the ability to reflect TBAs and dollar roll strategies in simulations, performance attribution, and cash flow testing. Also in the early part of 2007, an adjustable rate home equity prepayment model will be released to better reflect the risk characteristics of an asset class that has grown dramatically.

The further development of performance attribution capabilities remains a priority at CMS BondEdge. Historical returns for 250 indices were added to the Returns-based Performance Attribution model during 2006. The framework of the Returns-based model supports the reporting of user-specified segment and bond level total returns for both portfolios and benchmarks. This combination of granularity and flexibility is a particular advantage of the Returns-based approach and has been utilized for a wide spectrum of fixed income portfolios, including those with investment grade, high yield, and municipal mandates. Later in 2007 we will incorporate the ability to support blended benchmarks.

We will be introducing significant enhancements to the Factor-based Performance Attribution model throughout 2007. These enhancements include "policy" style reporting of multiple portfolios and benchmarks, a flexible issue level attribution report, as well as the ability to accommodate blended benchmarks.

A risk and analytical datafeed service was released by CMS BondEdge during 2006 in both the North American and European markets. Mounting regulatory and risk management initiatives have increased the demand for a centralized analytical data repository, particularly for the "middle office" departments within financial organizations. The datafeed service often complements the "front office" focused BondEdge product, which provides users interactive analytical capabilities rather than pre-determined analytical output.

Expanded municipal functionality was released in 2006 and this capability will be further enhanced this year. Of particular note during 2006 was the release of a municipal "duration beta" capability for portfolios with a blend of taxable and tax-exempt holdings. By specifying the relationship between municipal and treasury rates, the durations for blended portfolios can now be reported more consistently.

During 2007 we will incorporate additional data elements for municipal securities such as bank qualified status and underlying ratings. We will also provide more granular reporting for both municipal portfolios and benchmarks. In addition, we are very pleased to report that we may now provide Lehman Municipal Indices, including constituent detail, to Lehman-approved clients.

Later in 2007 a significantly enriched scenario analysis capability will be released for both taxable and tax-exempt portfolios and benchmarks. This new functionality will affect both the portfolio specified scenario tool as well as the probability weighted return analysis in Compare. Credit spread changes may be simulated for a cross section of quality and sector designations. In addition, secondary sector and issuer level spread changes may be reflected in an effort to increase the granularity of the analysis.

In recognition of the growing importance of Liability Driven Investing (LDI), we look forward to adding swap and LIBOR-based benchmarks to BondEdge during 2007. In an effort to more seamlessly support risk analysis of liabilities, we are also looking to expand the benchmark notion of the Compare system to encompass liability streams.

Equity analytics, including reporting, risk analysis, and incorporation within Returns-based performance attribution is also under consideration in order to expand our services to portfolios with fixed income/equity mandates.

We appreciate your business and continue to strive to deliver a high quality service to you. We hope that you enjoy a healthy and prosperous 2007.

I am always available to you if you have areas of concern or suggestions for how we could improve our processes.

Sincerely,

Laurie S. Adami
President

CMS BondEdge, an Interactive Data division

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CMS BondEdge Annual Staff Photos

Los Angeles

Administration

Front: Halina Kubalski, Ronda Licata, Laurie Adami
Back: Benjamin Cooper, Michele Williams, Tashon McClain, Monyca Brown, Craig Carson
Not Shown: Tina Moton

Product Development/Marketing/Analytics/Quality Control

Front: Archana Ekbote, Melanie Murai, Lisa Herbert, Crystal Arrieta, Mylan Tam, Sean Tang
Middle: Peng Zhen, Brian Gip, Teri Geske, Chris Ruan, Jonathan Hui, Sheldon Smith, Jimmy Fu
Back: Dumitru Niculete, Philippe Rasborn, Edward Kim, Jeremy Baker, Bill Burns, Peter Chan

Sales/Sales Consulting/Consulting/Service Bureau/Client Services Group

Front: Paul Tan, Sandi Bradley, Sonia Dixon, Alice Truong, Jennifer Jank, David Lampert
Middle: John Siscel, Darius Dadabhoy, Maureen Manacop, Karen Richardson, Laili Agus, Brent Boyd
Back: Walter Claus, Chris Pedersen, Jessica Burruss, Eric Chung, Jeffrey Foley, Ian Miller, Tony Armedilla
Not Shown: Andy Wong, Kyu Kang, Ken Shibata, Leila Efron

Structured Finance

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Back: Ernest Kearney, Lisa Sims, Angela Kelly, James Won, Rajendra Utama
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Programming

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Middle: Fred George, Devorah Daneshrad, Inwook Cho, Sorina Covaci, Huan Nguyen, Sudhir Patel
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New York

Consulting/Administration

Front: Bettina Whichard, Roberta Pate
Back: Mitchell Cagner, Lou Gehring, John Binder, D'mitri Abanin

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2007 CMS BondEdge Annual Fixed Income Workshops

We are pleased to announce the dates for the **2007 CMS BondEdge Annual Fixed Income Workshops**. This year's Annual Fixed Income Workshops will be presented in primarily two tracks, and will cover fixed income theory as well as practical applications of various BondEdge features. This year we are featuring sessions specifically designed to address current issues in fixed income as well as interactive sessions for one-on-one training with CMS BondEdge senior consultants. We hope you will be able to join us this year at one of the following locations:

Thursday, April 19	**Tuesday, May 8**	**Thursday, May 10**
Los Angeles (Downtown)	Chicago (Downtown)	New York (Midtown)

While the topics are presented in lecture format, the event is intended to be as interactive as possible; we encourage attendees to ask questions during the sessions or during the break times provided. This year's workshop sessions are:

	Time	TRACK A	TRACK B	TRACK C
	8:00a	Registration & Breakfast		
	8:30a		*New!* Up Close with BondEdge®	
	9:00a	Keynote Address		
New Time!	9:45a	Performance Attribution in BondEdge	MBS & ABS: Evolving Markets & Models	
	11:00a	AM Break		
New Time!	11:15a	Benchmarking with Compare & Matrix Management	Managing Municipal Bond Portfolios with BondEdge	MBS & ABS: Evolving Markets & Models *Just Added!*
	12:45p	Lunch – *Plus!* Sneak Preview: Next Generation BondEdge		
New Time!	1:50p	Simulations in BondEdge	Insurance Market Applications in BondEdge	
	2:50p	PM Break		
	3:00p	Market Risk Factors: Focus on Credit Spreads	Term Structure Modeling & Interest Rate Paths	*New!* BondEdge User's Toolkit
	4:00p	Cocktails & Hors d'oeuvres		

To view detailed session descriptions, please click here.

To register, please click here.

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4th Quarter 2006 Fixed Income Markets Review: *Market Flash*

Despite ending 2006 on a bearish note, total returns for all broad fixed rate benchmarks were significantly higher than returns recorded during 2005. The Lehman Aggregate Index posted a total return of 4.33% for the full year, a 190 basis point (bp) improvement from the 2.43% return achieved during 2005. Price returns, however, were negative for broad benchmarks as the overall level of interest rates moved higher during 2006.

The above is a partial reprint of our quarterly capital markets report, "Market Flash". ***To view this report in its entirety, please click here.***

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BondEdge News

BondEdge Version 5.50 - *Coming Soon!*
Release Date: January 31, 2007

As a reminder, BondEdge Version 5.50 is scheduled for release on January 31, 2007. Clients will have a 3 to 4 month period to transition from a 5.4x version to a 5.5x version. If you are interested in upgrading to 5.5 as soon as it is released, or if you wish to obtain a copy for testing before upgrading your production version, please contact your BondEdge Consultant or the Client Services Group. We are excited to bring you the following new features:

TBA CUSIPs & Dollar Rolls – TBA Mortgage CUSIPs have been added to the BondEdge database. With this version, you will be able to add these CUSIPs to your portfolios to reflect your exposure to the TBA market and to capture Dollar Roll strategies for performance. You may also choose to define a portfolio-specific "earned reinvestment rate" associated with your TBA positions to reflect the income generated by short-term investments held against the TBA positions. Clients who hold TBAs and who include in the portfolio the related short-term investments should continue to enter an offsetting (short) cash position in the portfolio equal to the market value of the TBAs. Clients who do not include the short-term investments can use the TBA CUSIPs without entering a short cash position. (Click here for related article).

New Simulation Tools – The Specified Scenario and Compare Probability-Weighted Return simulations have been significantly upgraded in this version, giving you much greater flexibility in specifying spread changes along with interest rate shifts. For Corporate bonds, spread changes can now be input by industry and/or by specific Issuer. Changes in MBS spreads can be specified by collateral type and/or or by tranche type for CMOs, while Muni portfolio managers can input spread changes by the type of bond (G.O., Revenue, Pre-Refunded, ETM and Insured). Scenarios can be shared between the two analyses, eliminating the need to rebuild the same scenario twice, and both simulations now offer the ability to input shifts to the yield curve using duration-matched or maturity-matched logic. This type of scenario stress-testing is critical for benchmark comparisons and risk management purposes, to assess a portfolio's risk/return profile under likely scenarios, and to determine the extent of possible losses under extreme scenarios.

Adjustable Rate Home Equity Loan Prepayment Model – Version 5.5 includes a new prepayment model for deals backed by Adjustable Rate Home Equity Loans, a growing asset class that is increasingly important to many of our clients (Click here for related article).

Municipal Portfolio Management Tools – For private wealth managers, P&C insurers, banks and others who hold municipal bonds, version 5.5 includes more tools for managing portfolios containing a blend of tax-exempt and taxable securities. This release offers more descriptive information for municipal securities, such as underlying ratings for insured bonds, more information about credit enhancement and other data. An expanded Contribution to Duration report shows the portfolio's duration exposure by Muni type, and we have revised the second and third muni sectors to be consistent with those used by the major muni index providers. The custom report writer has a new Muni Distributions field that shows the percentages of the portfolio that are taxable, tax-exempt (Federal, State or both), Credit Enhanced, Callable, Trading to Call, Puttable, OID, Bank Qualified or subject to the AMT. The Contribution to Duration report in Compare now displays exposures by secondary sector (G.O., REV, Insured, Pre-Ref., ETM) for Munis so that you can monitor your contributions to the portfolio's duration by these categories. Finally, the Portfolio Alerts report now shows recently pre-refunded municipal bonds to help you track the impact of these actions on your portfolios.

We also now have the constituent level data for the Lehman Brothers Municipal Bond indices. We look forward to releasing certain of these Muni indices during the first quarter of the year for portfolio versus benchmark comparisons and Returns-based Performance Attribution. If you are interested in subscribing to the Lehman Muni indices, please contact your CMS BondEdge Representative.

Compare's Contribution to Duration Report: Exposure Subtotals – Since our clients prefer to aggregate their portfolio holdings according to various categories, we have added new subtotals to the Compare "Contribution to Duration" report, summarizing portfolio's holdings and contribution to duration into the super-categories of "Government", "Credit" and "Securitized", with further breakdowns within those headings, as follows:

Government (U.S.)	**Credit**		**Securitized**
Treasury	*Corporate*	*Non-Corporate*	*Pass-thru*
Agency	Industrial	Sovereign	*ARM*
	Finance	Supranational	*CMO*
	Utility	Foreign Agency	*ABS*
		Other Govt.	*CMBS*

This new section, an addition to the existing report, allows you to see combined exposures for Treasury and Agencies, to separate Foreign Agencies from U.S. Government agencies, and to see your total exposure to MBS/ABS/CMBS holdings.

Performance Attribution with Custom-weighted indices – You can now use custom-blended indices (e.g., 30% of Index 1, 50% of Index 2, 20% of Index 3) in Factors-based Performance Attribution (PART) analyses.

In the next version of BondEdge we'll be releasing more reporting capabilities for the Factors-based Attribution system, including a customizable issue-level attribution analysis allowing you to report on, and subtotal, each component of return at the security level, including unweighted and "contribution to" values.

If you have any questions about these features or are interested in obtaining the pre-release of version 5.50 as soon as it is available, please contact your CMS BondEdge Representative.

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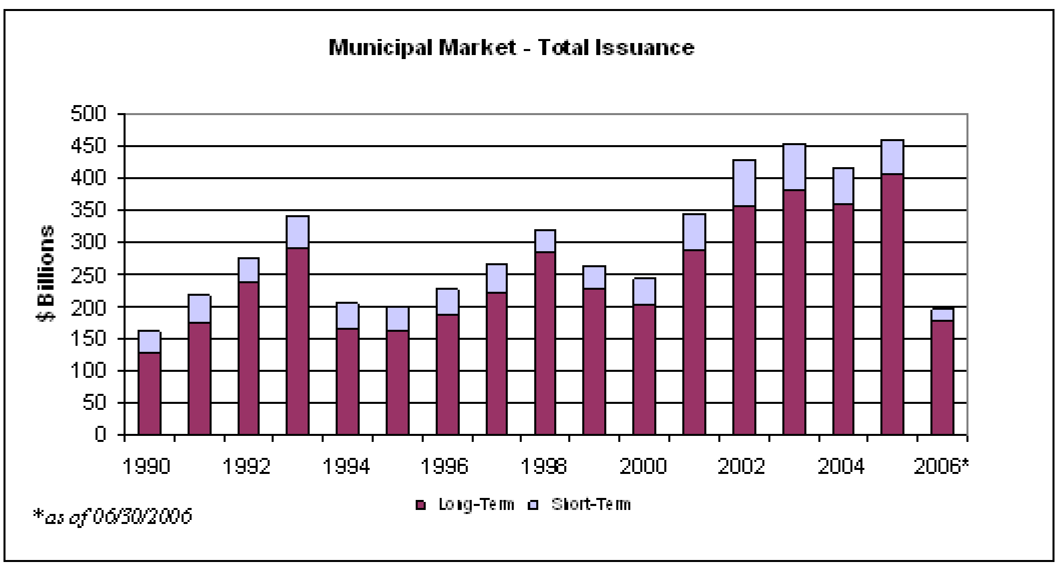
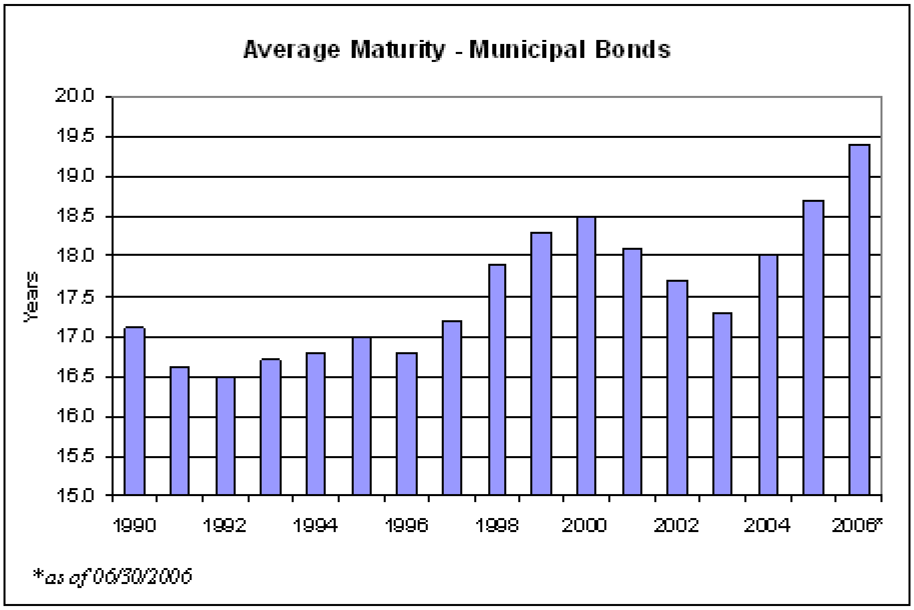
Municipal Markets

The municipal market has become an increasingly important area of focus for BondEdge, as a growing number of our clients manage portfolios that include municipal securities and need analytics that can support these efforts. This is partly attributable to the growth in the wealth management industry but is also driven by the increasingly sophisticated demands of investors who hold municipals and now require more comprehensive reporting, index comparisons and performance analyses than in years past. In addition to the muni reporting, simulation and attribution capabilities already available in BondEdge, version 5.5 (available beginning January 31, 2007) offers a number of new muni-related features (Click here for related article). We are also pleased to confirm that we will be providing Lehman Muni indices constructed from constituent-level information in the first quarter of 2007.

In this article we take a look at some of the trends in the municipal market over the past 15 years. As shown in the chart below, the market has grown significantly over this time. There does appear to be some cyclicality in the issuance pattern, but the long-term trend is clearly upward.

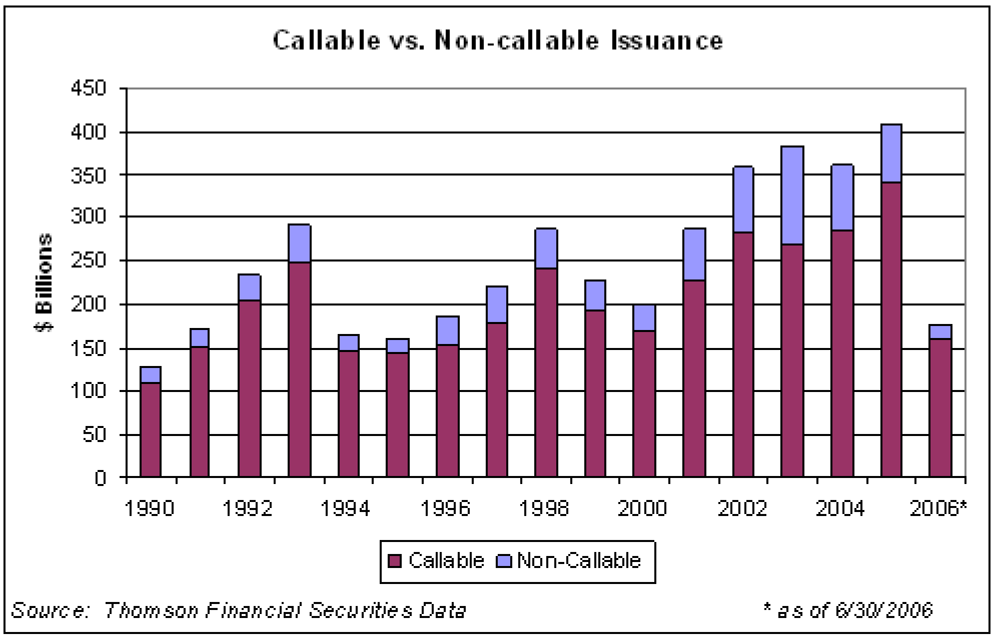


Long-term debt issuance exceeded $400 billion in 2005, compared to $128 billion in 1990, for a cumulative average growth rate of over 12%:



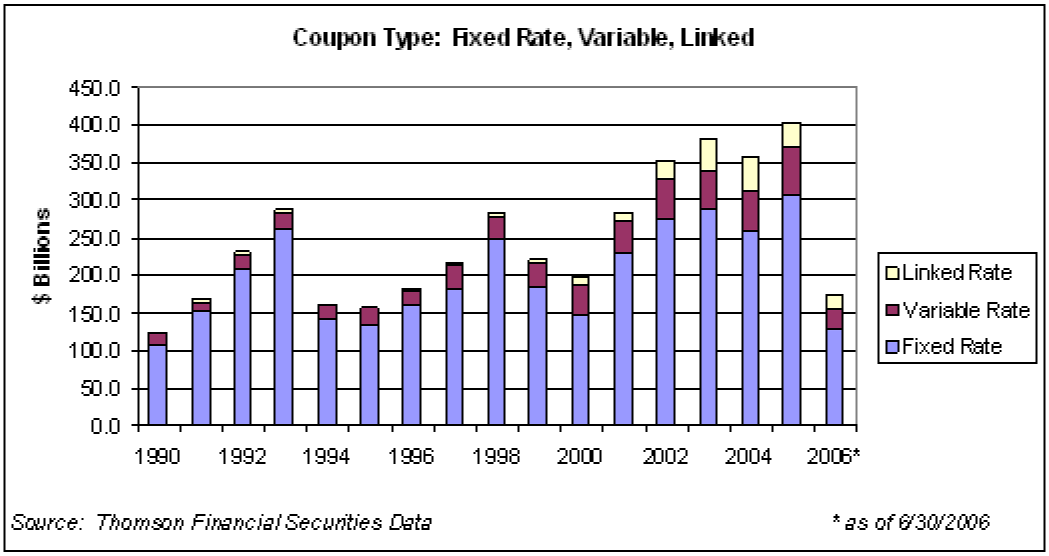
Security Characteristics

Unlike the taxable credit market, the majority of municipal bonds are callable, as it is critical for states and municipalities to retain maximum flexibility with respect to their borrowings relative to sources of revenue (tax receipts, etc.) and infrastructure development plans.



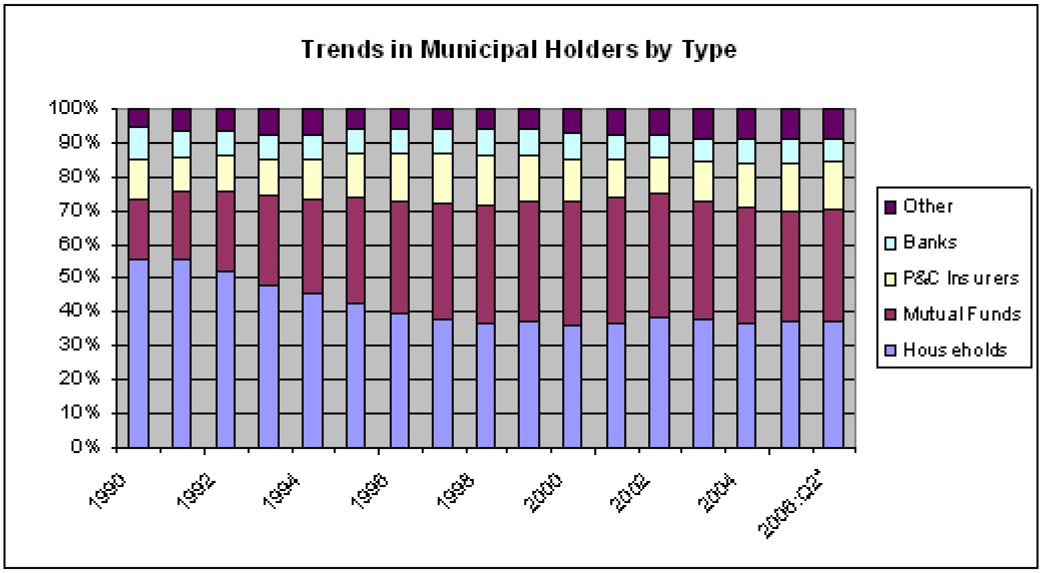
This characteristic of the muni market highlights the importance of having robust analytics for managing portfolios of municipal securities. Muni managers have often relied on the rather simplistic measure of duration-to-worst, which although easy to compute, understates true duration in a low-rate environment and overstates true duration in a rising rate environment. In contrast, option-adjusted durations and convexities in BondEdge give an accurate assessment of a portfolio's interest rate sensitivity and are particularly important in this market where callability is ever-present. Furthermore, the "muni duration beta" feature in BondEdge allows managers of blended (taxable and tax-exempt) portfolios to intelligently combine the durations of their muni and taxable holdings to reflect the relationship between interest rate shifts in the tax-exempt and taxable markets.

Another important aspect of the muni market is the popularity of variable-rate demand notes (VRDNs) whose coupons are set by auction every *N* number of weeks (typically every 4 or 5 weeks, but sometimes as often as weekly). Since the holders of these notes can put them back to the remarketing agent at each auction date, the price of a VRDN tends to stay very close to par and its duration is thus quite small – about the time to its next reset date. However, since the coupon rate is reset based on some externally observable index (as with FRNs in the taxable market with coupon formulas based on LIBOR or some other market index), we cannot calculate or predict a VRDN's future coupon rate. In BondEdge, VRDNs are modeled in the Money Market model, with a secondary sector = VRDN. This automatically assigns a fictitious index of "AUCT" (for "Auction") in the security's coupon formula and allows BondEdge to treat the security as a floater for analytical purposes, resulting in a very short duration. With version 5.5, we are expanding the choice of reset frequencies in the Money Market-VRDN model.



Investor Base

The Bond Market Association (now known as SIFMA) estimates there are over 2 million municipal issues in investors' hands. Individuals, i.e., the sum of Households (which includes bank trust departments) and mutual funds (including closed end funds and money market funds) comprise more than 70% of the investor base. Property and casualty insurance companies are the next largest set of investors at around 13%. The remaining investors are banks and corporations. Some investors are crossover, or arbitrage, investors who buy munis when they are particularly attractive relative to other fixed-income asset classes.



Given the large number of municipal issues it is important to have a comprehensive source of securities data. BondEdge clients can automatically access complete descriptive data from the municipal securities database maintained by our sister company, FT Interactive Data, including call schedules, pre-refunding data, credit ratings and other pertinent information, as well as daily prices on these securities. For clients who prefer to use JJ Kenny data, we have a link to that data source as well, or you can bring in your own data from a proprietary source, if desired.

We hope this review of the Municipal securities market has been useful. If you have any questions about the features in BondEdge for managing portfolios or are interested in subscribing to the Lehman Muni Index data, please contact your CMS BondEdge Representative.

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Generic Hybrid ARMs & the Lehman Indices

From 2001 to 2005, there has been a tremendous surge in hybrid ARM issuance. The total amount outstanding of hybrid ARM product exceeded $300 billion as of year-end 2006. The rapid increase in the popularity of hybrid ARMs has given rise to investor demand of an index to benchmark and to track the performance.

The hybrid ARM index is defined by a population of generic ARM securities. In particular, generic ARMs are groups of hybrid ARMs with similar characteristics, such as agency, program type, reset index (CMT or LIBOR), cap structure, interest only feature, coupon rate and origination year.

Generic ARMs are being added to the BondEdge database, primarily for the purpose of index construction. While we anticipate most clients will continue to use the actual hybrid ARM pool CUSIPs, the generic CUSIPs will be available via the BondEdge extended database. These generics are assigned an eight character CUSIP based on the nomenclature used by Lehman Brothers. It reflects seven distinct dimensions along which pools are aggregated, as follows: The first position of the CUSIP refers to the agency (FNMA, FHLMC or GNMA); the second is program type (3/1, 5/1, 7/1 or 10/1); the third position combines rate index and cap structure; the forth distinguishes between interest only and level pay feature; the fifth and the sixth represents coupon rate and the last two displays the origination year. For example, "H5GO5006" represents a 5/1 5% Freddie Mac generic ARM with IO feature and interest rate cap structure of 226 issued in 2006.

As with fixed-rate mortgage generics, ARM generics will represent the population of hybrid pools within the

CMS BondEdge engineered versions of the Lehman Brothers Hybrid ARM Index, Mortgage Index and Aggregate Index. ARM generics will be eligible for inclusion in the above indices if they satisfy the liquidity requirements specified by the index construction rules defined by Lehman Brothers.

The estimated duration of the Hybrid Arm Index is 1.7 as of December 2006. Due to the increase in the projected share of mortgages in Aggregate Index from 35% to 37% and the low duration of the Hybrids relative to other sectors in the index, the duration of the Aggregate Index is estimated to decrease from 4.54 to 4.47. The inclusion of Hybrid ARMs in the various indices will take place on April 1, 2007, consistent with Lehman's launch date.

Another useful tool to be available soon on the Private Client Site will be a monthly Hybrid ARM Report. This report will be similar to the fixed-rate MBS report and can be used for investors to keep track of general market trends, prepayment behavior and performance at a glance.

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Accounting Issue Updates: (i) CMO Investors Dodge an Accounting Bullet; (ii) More Derivatives Disclosure Requirements?

Last Fall, many CMO investors were anxiously awaiting word from the Financial Accounting Standards Board (FASB) regarding the status of FASB Statement No. 155, Accounting for Certain Hybrid Financial Instruments, specifically as it applies to mortgage-backed securities. Under FAS 155, a "hybrid instrument" is one which contains, or has embedded within it, a derivative-like contract. Holders of such instruments may be required to separately account for the change in the derivative's value apart from the non-derivative component (the "host contract"). This treatment, referred to as bifurcation, would require investors in mortgage-backed securities to separately value and report on the change in the embedded prepayment option in MBS if it appeared that the embedded option was not "clearly and closely related" to the economic characteristics and risks of the host contract.

Mortgage-backed securities purchased at a discount were particularly worrisome, as they had the potential of running afoul of a "double-double" rule which states that bifurcation would definitely be required if the embedded derivative could at least double the investor's initial rate of return and could also result in a return that was at least twice what otherwise would be the market return for a contract with the same terms as the host contract. This would have imposed such thorny accounting requirements on holders of these securities that some investors had halted purchases of any discount CMOs until the accounting issue was resolved. In late October, the FASB met to consider this issue and shortly thereafter issued a proposal to include "a narrow scope exception for securitized interests that contain only an embedded derivative that is tied to the prepayment risk of the underlying prepayable financial assets." This appears to address the concerns of many investors who commented (or protested) to the FASB that treating CMOs as "hybrid instruments" under FAS 155 would have been inappropriate.

In an unrelated action the FASB has issued a proposed accounting standard entitled Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133. The proposed standard would require companies that use derivatives to do the following:

- Increase disclosure of derivatives by describing the objectives and strategies for using derivative instruments in terms of underlying risk;
- Disclose in a tabular form the (1) notional and fair-value amounts of derivative instruments and (2) gains and losses on derivative instruments and related hedged items;
- Disclose information about counterparty credit risk and the existence and nature of contingent features in derivative instruments.

The proposed requirements would apply to financial statements issued for periods ending after December 15, 2007. Interested parties are invited to comment on the proposal, available on the FASB Website.

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Q. **How do I define the composite quality rules for my portfolio?**

A. Under Portfolio – File Management, you may specify the appropriate composite quality rule for each portfolio in the "Average Quality Calculation" field. The following choices are available:

< Mdys, S&P:	Lower of Moody's and S&P
> Mdys, S&P:	Higher of Moody's and S&P
Mdys else S&P:	Moody's rating, and if not available, S&P
S&P else Mdys:	S&P rating, and if not available, Moody's
< Mdys, S&P, Fitch:	Lower of Moody's, S&P, Fitch
> Mdys, S&P, Fitch:	Higher of Moody's, S&P, Fitch
Mid, else Lower:	Middle of Moody's, S&P, Fitch, else Lower of two
Mid, else Higher:	Middle of Moody's, S&P, Fitch, else Higher of two
Avg, Round Dn 2:	Average of Moody's and S&P, then Round Down
Avg, Round Dn 3:	Average of Moody's, S&P, Fitch then Round Down
Mdys Only:	Moody's rating only, ignore all other ratings
S&P Only:	S&P rating only, ignore all other ratings
Fitch Only:	Fitch rating only, ignore all other ratings
User-defined:	Allows you to create your own definition

By selecting the "Apply Benchmark Rule to Portfolio" checkbox, you may also choose to have the benchmark's composite quality definition automatically applied to the portfolio so the average quality calculations between the portfolio and benchmark are consistent. Here are the rules for each index family:

Lehman Indices:	Mid, else Lower
Merrill Indices:	Avg, Round Dn 3
Citigroup Indices:	S&P, else Mdys
Weighted Indices:	Rule based on index with highest percentage

Using the Quality Settings screen, you can also define your own quality rating and can create a customized composite quality definition that incorporates this rating, e.g., "Lower of Moody's, S&P and MyRating."

Q. **Should the Spread Duration value calculated in the Risk Measures report be the same as a Compare report's Quality Spread duration?**

A. Spread Duration measures the sensitivity of a bond's price to a change in its OAS. It is calculated by shifting the bond's OAS up and down 100bps, revaluing the security at these higher and lower spread levels (holding interest rates and volatilities constant) and observing the average change from the starting price. Spread duration indicates the sensitivity of price to a change in the risk premium demanded by the market, just as effective duration indicates the sensitivity of price to a change in interest rates. The Compare system's Quality Spread Duration is intended to give portfolio managers an estimate of the impact of a general widening or tightening of spreads, taking into account the notion that spreads tend to be more volatile for lower-rated bonds than for high quality bonds. The Quality Spread Duration incorporates this relationship between BAA corporate spread changes and spread changes for higher quality bonds, so that the Quality Spread duration for a lower quality bond is greater than for a higher quality bond of the same coupon and maturity. Note that since Treasuries are unaffected by changes in credit spreads/risk premiums, the spread duration and Quality Spread Duration is zero for these securities.

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