

Useful Abbreviations

Acronyms

APT	Arbitrage Pricing Theory
AR	autoregressive (process)
ARCH	autoregressive conditional heteroskedastic (process)
ARM	adjustable-rate mortgage
ARMA	autoregressive moving average (process)
BDT	Black–Derman–Toy (model)
BEY	bond-equivalent yield
BOPM	binomial option pricing model
BPV	basis-point value
CAPM	Capital Asset Pricing Model
CB	convertible bond
CBOE	Chicago Board of Exchange
CBT	Chicago Board of Trade
CD	certificate of deposit
CIR	Cox–Ingersoll–Ross
CME	Chicago Mercantile Exchange
CMO	collateralized mortgage obligation
CMT	constant-maturity Treasury (rate)
COFI	Cost of Funds Index
CPR	conditional prepayment rate
DEM	German mark
DJIA	Dow Jones Industrial Average
FHA	Federal Housing Administration
FHLMC	Federal Home Loan Mortgage Corporation (“Freddie Mac”)
FNMA	Federal National Mortgage Association (“Fannie Mae”)
forex	foreign exchange
FRA	forward rate agreement
FV	future value

GARCH	generalized autoregressive conditional heteroskedastic
GLS	generalized least-squares
GMM	generalized method of moments
GNMA	Government National Mortgage Association (“Ginnie Mae”)
HJM	Heath–Jarrow–Morton
HPR	holding period return
IAS	index-amortizing swap
IMM	International Monetary Market
IO	interest-only
IRR	internal rate of return
JPY	Japanese yen
LIBOR	London Interbank Offered Rate
LTCM	Long-Term Capital Management
MA	moving average
MBS	mortgage-backed security
MD	Macauley duration
ML	maximum likelihood
MPTS	mortgage pass-through security
MVP	minimum-variance point
NPV	net present value
NYSE	New York Stock Exchange
OAC	option-adjusted convexity
OAD	option-adjusted duration
OAS	option-adjusted spread
OLS	ordinary least-squares
PAC	Planned Amortization Class (bond)
P&I	principal and interest
PC	participation certificate
PO	principal-only
PSA	Public Securities Association
PV	present value
REMIC	Real Estate Mortgage Investment Conduit
RHS	Rural Housing Service
RS	Ritchken–Sankarasubramanian
S&P 500	Standard and Poor’s 500 Index
SMBS	stripped mortgage-backed security
SMM	single monthly mortality
SSE	error sum of squares

SSR	regression sum of squares
SST	total sum of squares
SVD	singular value decomposition
TAC	Target Amortization Class (bond)
VA	Department of Veterans Affairs
VaR	value at risk
WAC	weighted average coupon
WAL	weighted average life
WAM	weighted average maturity
WWW	World Wide Web

Ticker Symbols

DJ	Dow Jones Industrial Average
IRX	thirteen-week T-bill
NDX	Nasdaq 100
NYA	New York Stock Exchange Composite Index
OEX	S&P 100
RUT	Russell 200
SPX	S&P 500
TYX	thirty-year T-bond
VLE	Value Line Index
WSX	Wilshire S-C
XMI	Major Market Index

