

## The Feedback Loop\*

Once upon a midnight dreary,

I rose to see the yield curve clearly.

It was cut up in two,

As though somebody knew,

To trade quickly the levered will pay dearly.

*\*Adapted from the paper, [“Notes on Bonds: Illiquidity Feedback During the Financial Crisis.”](#)*

## Lender of Last Resort

There once was a fellow named Bagehot,

For bank panics he put forth a gambit.

His idea was on credit,

And the lending to get it,

But at a price that would not make it habit.

## The K-Spread\*

A sovereign bond by any other name,

May indeed not smell the same.

Although identical in cash flow,

The market says it's not so,

Risk pricing can still take the blame.

*\*Adapted from the paper, ["Mind the Gap: Disentangling Credit and Liquidity in Risk Spreads."](#)*

### Risk Premium Identification\*

One stock, two stock, three stocks, four,  
Let's combine them in sets of one or more.

But, with each stock in its own lot,  
There's no risk of an induced overshoot,  
When it comes to their systematic score.

\* Adapted from the paper, "[Using Stocks or Portfolios in Tests of Factor Models.](#)"