News You Can Use

An Introduction to Chicago Fed Activity Indexes
The National Financial Conditions Index (NFCI)

Weekly update on U.S. financial conditions at chicagofed.org/nfci

- Weighted average of 105 indicators of financial activity
- Weights capture relative importance to historical fluctuations
- Estimated by mixed frequency dynamic factor analysis
- Broad coverage of the financial system
  1. Money markets
  2. Debt and Equity markets
  3. Traditional and “Shadow” banking systems

Useful in monitoring financial stability and forecasting

- Brave and Butters (2012)
- Brave and Butters (2011)
Interpreting the NFCI and ANFCI

Risk measures get positive weights, Credit and Leverage negative weights

Leads to the following NFCI interpretation:

• Scale is in standard deviations from average conditions
• Positive values denote tighter-than-average conditions
• Negative values denote looser-than-average conditions

Adjusted for economic conditions (ANFCI)

• Conditional on growth in economic activity and inflation
• Zero means financial conditions typical for given growth and inflation
• Positive values denote tighter conditions; negative values, looser

The Chicago Fed’s New Adjusted National Financial Conditions Index
The NFCI and ANFCI

FAQs
Contributions to the NFCI and ANFCI by Category

National Financial Conditions Index (NFCI)

Adjusted National Financial Conditions Index (ANFCI)

Risk
Credit
Leverage
NFCI
Adjusted NFCI

2015 2016 2017 2018 2019
Contributions to the NFCI by Indicator

- Markit Investment Grade (IG) 5-yr Senior CDS Index: -0.08
- Markit High Yield (HY) 5-yr Senior CDS Index: -0.05
- COMEX Gold/NYMEX WTI Futures Market Depth: -0.05
- BofAML 3-5 yr AAA CMBS OAS spread: -0.07
- 30-yr Jumbo/Conforming fixed rate mortgage spread: -0.05
- Other Negative: -0.58
- All Positive: 0.00
- NFCI: -0.88
Contributions to the ANFCI by Indicator

- Markit Investment Grade (IG) 5-yr Senior CDS Index: -0.20
- COMEX Gold/NYMEX WTI Futures Market Depth: -0.08
- 2-yr Interest Rate Swap/Treasury yield spread: -0.06
- All Positive: 0.02
- ANFCI: -0.70
- 3-mo. TED spread (LIBOR-Treasury): -0.12
- Markit High Yield (HY) 5-yr Senior CDS Index: -0.07
- Other Negative: -0.49
- Macroeconomic Adjustments: 0.29
Risk, Credit, and Leverage Subindexes

Risk is a coincident, Credit a lagging, and Leverage a leading indicator of financial stress.

Diagnosing the Financial System
Nonfinancial Leverage Subindex

Nonfinancial leverage is a leading indicator of financial stress and recessions.

Detecting Early Signs of Financial Instability
Additional information available at chicagofed.org/research/data/index

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