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 NFCI and ANFCI

FAQs
Contributions to the NFCI and ANFCI by Category
Contributions to the NFCI by Indicator

- CBOE Market Volatility Index VIX
- Markit Investment Grade (IG) 5-yr Senior CDS Index
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- BofAML 3-5 yr AAA CMBS OAS spread
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- Other Positive
- Other Negative
Contributions to the ANFCI by Indicator

- Market Investment Grade (IG) 5-yr Senior CDS Index
- 3-mo. Overnight Indexed Swap (OIS)/Treasury yield spread
- 2-yr Interest Rate Swap/Treasury yield spread
- Other Negative
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- Other Positive
- Macroeconomic Adjustments
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
Recent NFCI

2020 NFCI

Economic Research (FRB Chicago)
Change in Recent NFCI Contributions

01/31/2020 - 04/03/2020

- CBOE Market Volatility Index (VIX)
- BofAML 3-5 yr AAA CMBS OAS spread
- COMEX Gold/NYMEX WTI Futures Market Depth
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- BofAML High Yield/Moody's Baa corporate bond yield spread
- Moody's Baa corporate bond/10-yr Treasury yield spread
- 3-mo. TED spread (LIBOR-Treasury)
- Markit High Yield (HY) 5-yr Senior CDS Index
- 3-mo. Eurodollar spread (LIBID-Treasury)
- 1-mo. BofAML Option Volatility Estimate Index (MOVE)
Change in Recent NFCI Contributions

04/03/2020 - 04/24/2020

CBOE Market Volatility Index (VIX) -0.040
1-mo. BofAML Option Volatility Estimate Index (MOVE) -0.018
3-mo. BofAML Swaption Volatility Estimate Index (SMOVE) -0.015
COMEX Gold/NYMEX WTI Futures Market Depth -0.013
3-mo./1-wk AA Financial commercial paper spread -0.012
NACM Survey of Credit Managers: Credit Manager's Index -0.012
ICE BofAML ABS/5-yr Treasury yield spread -0.009
Markit Investment Grade (IG) 5-yr Senior CDS Index -0.008
Moody's Baa corporate bond/10-yr Treasury yield spread -0.004
BofAML High Yield/Moody's Baa corporate bond yield spread -0.003

Risk Credit Leverage
Recent ANFCI
Change in Recent ANFCI Contributions

02/14/2020 - 04/03/2020

- 3-mo. TED spread (LIBOR-Treasury) 0.217
- COMEX Gold/NYMEX WTI Futures Market Depth 0.151
- BoFAML 3-5 yr AAA CMBS OAS spread 0.106
- CBOE Market Volatility Index (VIX) 0.086
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread 0.086
- 3-mo. Eurodollar spread (LiBID-Treasury) 0.080
- Markit High Yield (HY) 5-yr Senior CDS Index 0.062
- Markit Investment Grade (IG) 5-yr Senior CDS Index 0.053
- 3-mo./1-wk AA Financial commercial paper spread 0.040
- 2-yr Interest Rate Swap/Treasury yield spread 0.033
Change in Recent ANFCI Contributions

04/03/2020 - 04/24/2020

-0.075
-0.051
-0.040
-0.036
-0.031
-0.028
-0.028
-0.027
-0.017
-0.017

3-mo. TED spread (LIBOR-Treasury)
COMEX Gold/NYMEX WTI Futures Market Depth
3-mo./1-wk AA Financial commercial paper spread
CBOE Market Volatility Index (VIX)
BofAML 3-5 yr AAA CMBS OAS spread
1-mo. Nonfinancial commercial paper A2P2/AA credit spread
3-mo. Eurodollar spread (LIBID-Treasury)
Markit Investment Grade (IG) 5-yr Senior CDS Index
3-mo. Financial commercial paper/Treasury bill spread
ICE BofAML ABS/5-yr Treasury yield spread
The history of the NFCI and the ANFCI can change from week to week depending on incoming data, data revisions, and changes in the estimated weight given each financial indicator, although these changes tend to be very small. Because they include a number of monthly and quarterly financial indicators that are regularly revised, revisions to the NFCI and ANFCI will tend to be more pronounced near the beginning of each month. The ANFCI is additionally influenced by economic activity and inflation. For details see Chicago Fed Letter No. 386.
NFCI and ANFCI Revisions

NFCI Revisions

Dec Jan Feb Mar Apr

Feb 21  Mar 06  Mar 20  Apr 03  Apr 17
Feb 28  Mar 13  Mar 27  Apr 10  Apr 24
NFCl and ANFCI Revisions

ANFCI Revisions

- Feb 21
- Mar 06
- Mar 20
- Apr 03
- Apr 17
- Feb 28
- Mar 13
- Mar 27
- Apr 10
- Apr 24
Additional information available at chicagofed.org/nfci

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