News You Can Use

An Introduction to Chicago Fed Activity Indexes

Economic Research (FRB Chicago)
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
Contributions to the NFCI by Indicator

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

- Markit Investment Grade (IG) 5-yr Senior CDS Index
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- 3-mo. Overnight Indexed Swap (OIS)/Treasury yield spread
- Other Negative
- 3-mo. TED spread (LIBOR-Treasury)
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- Other Positive
- Macroeconomic Adjustments
Risk, Credit, and Leverage Subindexxes

*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)

Risk, Credit, Leverage

Economic Research (FRB Chicago)
Change in Recent NFCI Contributions

04/03/2020 - 04/17/2020

-0.023
-0.014
-0.010
-0.007
-0.006
-0.010
-0.006
-0.005
-0.002
-0.001

CBOE Market Volatility Index (VIX)
1-mo. BofAML Option Volatility Estimate Index (MOVE)
3-mo. BofAML Swaption Volatility Estimate Index (SMOVE)
NACM Survey of Credit Managers: Credit Manager's Index
ICE BofAML ABS/5-yr Treasury yield spread
3-mo./1-wk AA Financial commercial paper spread
COMEX Gold/NYMEX WTI Futures Market Depth
Markit Investment Grade (IG) 5-yr Senior CDS Index
3-mo. Financial commercial paper/Treasury bill spread
On-the-run vs. Off-the-run 10-yr Treasury liquidity premium

Risk
Credit
Leverage
Recent ANFCI

2020 ANFCI

Economic Research (FRB Chicago)
Change in Recent ANFCI Contributions

02/14/2020 - 04/03/2020

- 3-mo. TED spread (LIBOR-Treasury)
- COMEX Gold/NYMEX WTI Futures Market Depth
- BofAML 3-5 yr AAA CMBS OAS spread
- CBOE Market Volatility Index (VIX)
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- 3-mo. Eurodollar spread (LIBID-Treasury)
- Markit High Yield (HY) 5-yr Senior CDS Index
- Markit Investment Grade (IG) 5-yr Senior CDS Index
- 3-mo./1-wk AA Financial commercial paper spread
- 2-yr Interest Rate Swap/Treasury yield spread

Risk
Credit
Leverage

Economic Research (FRB Chicago)
Change in Recent ANFCI Contributions

04/03/2020 - 04/17/2020

-0.055
-0.044
-0.038
-0.036
-0.033
-0.025
-0.019
-0.017
-0.016
-0.017
-0.017
-0.019
-0.025
-0.033
-0.036
-0.038
-0.044
-0.055

-0.06 -0.05 -0.04 -0.03 -0.02 -0.01 0

Risk Credit Leverage
**NFCI and ANFCI Revisions**

**Mean Absolute Values of Week-to-Week Revisions**

<table>
<thead>
<tr>
<th>Series</th>
<th>T-1</th>
<th>T-2</th>
<th>T-3</th>
<th>T-4</th>
<th>T-5</th>
<th>T-6</th>
<th>T-7</th>
<th>T-8</th>
<th>T-9</th>
<th>T-10</th>
<th>T-11</th>
<th>T-12</th>
<th>T-13</th>
<th>T-14</th>
<th>T-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFCI</td>
<td>0.017</td>
<td>0.011</td>
<td>0.007</td>
<td>0.005</td>
<td>0.005</td>
<td>0.004</td>
<td>0.003</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
</tr>
<tr>
<td>Risk</td>
<td>0.018</td>
<td>0.013</td>
<td>0.009</td>
<td>0.007</td>
<td>0.005</td>
<td>0.004</td>
<td>0.003</td>
<td>0.003</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.001</td>
</tr>
<tr>
<td>Credit</td>
<td>0.019</td>
<td>0.013</td>
<td>0.009</td>
<td>0.006</td>
<td>0.004</td>
<td>0.003</td>
<td>0.003</td>
<td>0.003</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.026</td>
<td>0.020</td>
<td>0.016</td>
<td>0.012</td>
<td>0.009</td>
<td>0.008</td>
<td>0.007</td>
<td>0.007</td>
<td>0.006</td>
<td>0.005</td>
<td>0.005</td>
<td>0.004</td>
<td>0.005</td>
<td>0.004</td>
<td>0.004</td>
</tr>
<tr>
<td>Nonfinancial Leverage</td>
<td>0.010</td>
<td>0.010</td>
<td>0.010</td>
<td>0.010</td>
<td>0.010</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
</tr>
<tr>
<td>ANFCI</td>
<td>0.046</td>
<td>0.038</td>
<td>0.029</td>
<td>0.016</td>
<td>0.012</td>
<td>0.011</td>
<td>0.011</td>
<td>0.010</td>
<td>0.009</td>
<td>0.009</td>
<td>0.007</td>
<td>0.006</td>
<td>0.006</td>
<td>0.005</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Note: T denotes the last week of the index at the time of release.

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 2020-02-21  2020-03-06  2020-03-20  2020-04-03  2020-04  2020-04-10
Jan 2020-02-28  2020-03-13  2020-03-27  2020-04-10
NFCI and ANFCI Revisions

ANFCI Revisions

Dec | Jan | Feb | Mar | Apr

-0.8 -0.4 0.0 0.4

2020-02-21 | 2020-03-06 | 2020-03-20 | 2020-04-03 | 2020-04

2020-02-28 | 2020-03-13 | 2020-03-27 | 2020-04-10
Additional information available at chicagofed.org/nfci

Contacts:

Michael Adleman
Media Relations
Federal Reserve Bank of Chicago
312-322-2934

Scott Brave
Economic Research
Federal Reserve Bank of Chicago
312-322-5784
sbrave@frbchi.org