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)
Contributions to the NFCI by Indicator

- Markit Investment Grade (IG) 5-yr Senior CDS Index
- CBOE Market Volatility Index VIX
- 3-mo. TED spread (LIBOR-Treasury)
- Other Negative
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- Markit High Yield (HY) 5-yr Senior CDS Index
- Other Positive
Contributions to the ANFCI by Indicator

- Markit Investment Grade (IG) 5-yr Senior CDS Index
- 3-mo. TED spread (LIBOR-Treasury)
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- All Positive
- 2-yr Interest Rate Swap/Treasury yield spread
- Markit High Yield (HY) 5-yr Senior CDS Index
- Other Negative
- 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
- Markit High Yield (HY) 5-yr Senior CDS Index
- 3-mo. TED spread (LIBOR-Treasury)
- NACM Survey of Credit Managers: Credit Manager’s Index
- 3-mo. Eurodollar spread (LIBID-Treasury)
Change in Recent NFCI Contributions

04/03/2020 - 06/19/2020

-0.020
-0.023
-0.025
-0.027
-0.034
-0.039
-0.050
-0.053
-0.059
-0.066
-0.07
-0.06
-0.05
-0.04
-0.03
-0.02
-0.01
0

Risk Credit Leverage

CBOE Market Volatility Index (VIX)
1-mo. Nonfinancial commercial paper A2P2/AA credit spread
BofAML 3-5 yr AAA CMBS OAS spread
COMEX Gold/NYMEX WTI Futures Market Depth
3-mo. TED spread (LIBOR-Treasury)
BofAML High Yield/Moody's Baa corporate bond yield spread
NACM Survey of Credit Managers: Credit Manager's Index
3-mo. Eurodollar spread (LIBID-Treasury)
1-mo. BofAML Option Volatility Estimate Index (MOVE)
3-mo. BofAML Swaption Volatility Estimate Index (SMOVE)
Recent ANFCI
Change in Recent ANFCI Contributions

02/14/2020 - 04/03/2020

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

Risk Credit Leverage
Change in Recent ANFCI Contributions

04/03/2020 - 06/19/2020

-0.124
-0.070
-0.069
-0.067
-0.058
-0.054
-0.049
-0.041
-0.037
-0.023

Risk
Credit
Leverage
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.
NFCl and ANFCl Revisions

NFCl Revisions

Feb 21  Mar 20  Apr 17  May 15  Jun 12
Feb 28  Mar 27  Apr 24  May 22  Jun 19
Mar 06  Apr 03  May 01  May 29
Mar 13  Apr 10  May 08  Jun 05
NFCl and ANFCI Revisions

ANFCI Revisions

Jan  | Apr
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Feb 21  | Mar 20  | Apr 17  | May 15  | Jun 12  
Feb 28  | Mar 27  | Apr 24  | May 22  | Jun 19  
Mar 06  | Apr 03  | May 01  | May 29  
Mar 13  | Apr 10  | May 08  | Jun 05  
Additional information available at chicagofed.org/nfci

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