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

Adjusted National Financial Conditions Index (ANFCI)

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

- Markit Investment Grade (IG) 5-yr Senior CDS Index
- CBOE Market Volatility Index VIX
- 3-mo. BofAML Swaption Volatility Estimate Index
- Other Negative
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- 1-mo. BofAML Option Volatility Estimate Index
- Other Positive
Contributions to the ANFCI by Indicator

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

04/03/2020 - 05/08/2020

CBOE Market Volatility Index (VIX)
1-mo. BoFAML Option Volatility Estimate Index (MOVE)
3-mo. TED spread (LIBOR-Treasury)
3-mo. BoFAML Swaption Volatility Estimate Index (SMOVE)
COMEX Gold/NYMEX WTI Futures Market Depth
BoFAML 3-5 yr AAA CMBS OAS spread
1-mo. Nonfinancial commercial paper A2P2/AA credit spread
3-mo./1-wk AA Financial commercial paper spread
NACM Survey of Credit Managers: Credit Manager's Index
3-mo. Eurodollar spread (LIBID-Treasury)
Recent ANFCI

2020 ANFCI
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 Investment Grade (IG) 5-yr Senior CDS Index
- Markit High Yield (HY) 5-yr Senior CDS Index
- 3-mo./1-wk AA Financial commercial paper spread
- 2-yr Interest Rate Swap/Treasury yield spread
Change in Recent ANFCI Contributions

04/03/2020 - 5/8/2020

-0.164
-0.062
-0.051
-0.039
-0.032
-0.030
-0.029
-0.025
-0.020
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 13
- Apr 03
- Apr 24
- Feb 28
- Mar 20
- Apr 10
- May 01
- Mar 06
- Mar 27
- Apr 17
- May 08
NFCl and ANFCl Revisions

ANFCl Revisions

- Feb 21
- Mar 13
- Apr 03
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- Mar 20
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- Apr 17
- May 08
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