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

![Graph showing contributions to the NFCI and ANFCI by category over time.](image-url)
Contributions to the NFCI by Indicator

- Markit Investment Grade (IG) 5-yr Senior CDS Index
- 3-mo. TED spread (LIBOR-Treasury)
- 3-mo. BofAML Swaption Volatility Estimate Index
- All Positive
- 30-yr Jumbo/Conforming fixed rate mortgage spread
- 2-yr Interest Rate Swap/Treasury yield spread
- Other Negative
Contributions to the ANFCI by Indicator
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
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)

Risk Credit Leverage
Change in Recent NFCI Contributions

04/03/2020 - 06/05/2020

<table>
<thead>
<tr>
<th>Indicator</th>
<th>04/03/2020 - 06/05/2020</th>
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<tbody>
<tr>
<td>CBOE Market Volatility Index (VIX)</td>
<td>-0.085</td>
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<tr>
<td>COMEX Gold/NYMEX WTI Futures Market Depth</td>
<td>-0.051</td>
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<tr>
<td>1-mo. Nonfinancial commercial paper A2P2/AA credit spread</td>
<td>-0.051</td>
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<tr>
<td>BofAML 3-5 yr AAA CMBS OAS spread</td>
<td>-0.039</td>
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<tr>
<td>3-mo. TED spread (LIBOR-Treasury)</td>
<td>-0.038</td>
</tr>
<tr>
<td>BofAML High Yield/Moody's Baa corporate bond yield spread</td>
<td>-0.029</td>
</tr>
<tr>
<td>1-mo. BofAML Option Volatility Estimate Index (MOVE)</td>
<td>-0.024</td>
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<tr>
<td>3-mo. Eurodollar spread (LIBID-Treasury)</td>
<td>-0.024</td>
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<tr>
<td>3-mo. BofAML Swaption Volatility Estimate Index (SMOVE)</td>
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<td>NACM Survey of Credit Managers: Credit Manager's Index</td>
<td>-0.018</td>
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Economic Research (FRB Chicago)
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
- 2-yr Interest Rate Swap/Treasury yield spread
- 3-mo. Eurodollar spread (LIBID-Treasury)
- BofAML High Yield/Moody’s Baa corporate bond yield spread

Risk
Credit
Leverage
Change in Recent ANFCI Contributions

04/03/2020 - 06/05/2020

-0.115
-0.082
-0.078
-0.062
-0.056
-0.045
-0.042
-0.039
-0.030
-0.024
-0.14 -0.12 -0.1 -0.08 -0.06 -0.04 -0.02 0

1-mo. BofAML Option Volatility Estimate Index (MOVE)

Markit High Yield (HY) 5-yr Senior CDS Index

2-yr Interest Rate Swap/Treasury yield spread

BofAML 3-5 yr AAA CMBS OAS spread

3-mo. Eurodollar spread (LIBID-Treasury)

1-mo. Nonfinancial commercial paper A2P2/AA credit spread

Markit Investment Grade (IG) 5-yr Senior CDS Index

COMEX Gold/NYMEX WTI Futures Market Depth

CBOE Market Volatility Index (VIX)

3-mo. TED spread (LIBOR-Treasury)
NFCI and ANFCI Revisions

Mean Absolute Values of Week-to-Week Revisions

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<th>Series</th>
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<th>T-2</th>
<th>T-3</th>
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<tr>
<td>NFCI</td>
<td>0.017</td>
<td>0.011</td>
<td>0.007</td>
<td>0.005</td>
<td>0.004</td>
<td>0.003</td>
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<td>Leverage</td>
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<td>0.006</td>
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<td>Nonfinancial Leverage</td>
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<td>ANFCI</td>
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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.
NFCl and ANFCl Revisions

NFCl Revisions

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

ANFCI Revisions

- Feb 21
- Mar 20
- Apr 17
- May 15
- Feb 28
- Mar 27
- Apr 24
- May 22
- 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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