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)

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

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

- 30-yr Jumbo/Conforming fixed rate mortgage spread
- 3-mo. TED spread (LIBOR-Treasury)
- S&P 500 Financials/S&P 500 Price Index (Relative to 2-yr MA)
- Other Negative
- Markit High Yield (HY) 5-yr Senior CDS Index
- 3-mo. Eurodollar spread (LIBID-Treasury)
- 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)
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- COMEX Gold/NYMEX WTI Futures Market Depth
- BofAML 3-5 yr AAA CMBS OAS spread
- Markit High Yield (HY) 5-yr Senior CDS Index
- CBOE Crude Oil Volatility Index, OVX
- 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
- Moody's Baa corporate bond/10-yr Treasury yield spread

Risk Credit Leverage
Change in Recent NFCI Contributions

04/03/2020 - 07/03/2020

1-mo. Nonfinancial commercial paper A2P2/AA credit spread: -0.100
CBOE Market Volatility Index (VIX): -0.080
3-mo. TED spread (LIBOR-Treasury): -0.060
CBOE Crude Oil Volatility Index, OVX: -0.057
COMEX Gold/NYMEX WTI Futures Market Depth: -0.057
BofAML 3-5 yr AAA CMBS OAS spread: -0.042
3-mo. Eurodollar spread (LIBID-Treasury): -0.041
NACM Survey of Credit Managers: Credit Manager's Index: -0.039
BofAML High Yield/Moody's Baa corporate bond yield spread: -0.029
Markit High Yield (HY) 5-yr Senior CDS Index: -0.029

Risk
Credit
Leverage
Recent ANFCI

2020 ANFCI
### Change in Recent ANFCI Contributions

#### 02/14/2020 - 04/03/2020

<table>
<thead>
<tr>
<th>Financial Indicator</th>
<th>Risk Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMEX Gold/NYMEX WTI Futures Market Depth</td>
<td>0.153</td>
</tr>
<tr>
<td>Markit High Yield (HY) 5-yr Senior CDS Index</td>
<td>0.144</td>
</tr>
<tr>
<td>3-mo. TED spread (LIBOR-Treasury)</td>
<td>0.131</td>
</tr>
<tr>
<td>BofAML 3-5 yr AAA CMBS OAS spread</td>
<td>0.107</td>
</tr>
<tr>
<td>1-mo. Nonfinancial commercial paper A2P2/AA credit spread</td>
<td>0.102</td>
</tr>
<tr>
<td>CBOE Market Volatility Index (VIX)</td>
<td>0.085</td>
</tr>
<tr>
<td>Markit Investment Grade (IG) 5-yr Senior CDS Index</td>
<td>0.075</td>
</tr>
<tr>
<td>3-mo. Eurodollar spread (LIBID-Treasury)</td>
<td>0.073</td>
</tr>
<tr>
<td>CBOE Crude Oil Volatility Index, OVX</td>
<td>0.047</td>
</tr>
<tr>
<td>3-mo./1-wk AA Financial commercial paper spread</td>
<td>0.042</td>
</tr>
</tbody>
</table>

#### Economic Research (FRB Chicago) News You Can Use

An Introduction to Chicago Fed Activity Indexes
Change in Recent ANFCI Contributions

04/03/2020 - 07/03/2020

-0.135
-0.102
-0.092
-0.076
-0.062
-0.053
-0.051
-0.040
-0.038
-0.033
0

-0.15 -0.1 -0.05 0

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

### 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></td>
</tr>
<tr>
<td>Risk</td>
<td>0.019</td>
<td>0.014</td>
<td>0.010</td>
<td>0.007</td>
<td>0.005</td>
<td>0.004</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>0.001</td>
</tr>
<tr>
<td>Credit</td>
<td>0.019</td>
<td>0.014</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>0.021</td>
<td>0.016</td>
<td>0.012</td>
<td>0.010</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>0.005</td>
<td>0.005</td>
<td>0.005</td>
<td>0.004</td>
</tr>
<tr>
<td>Nonfinancial Leverage</td>
<td>0.011</td>
<td>0.012</td>
<td>0.011</td>
<td>0.011</td>
<td>0.011</td>
<td>0.012</td>
<td>0.012</td>
<td>0.012</td>
<td>0.013</td>
<td>0.012</td>
<td>0.012</td>
<td>0.012</td>
<td>0.013</td>
<td>0.013</td>
<td>0.013</td>
</tr>
<tr>
<td>ANFCI</td>
<td>0.047</td>
<td>0.038</td>
<td>0.029</td>
<td>0.016</td>
<td>0.013</td>
<td>0.012</td>
<td>0.011</td>
<td>0.011</td>
<td>0.010</td>
<td>0.009</td>
<td>0.007</td>
<td>0.006</td>
<td>0.006</td>
<td>0.006</td>
<td>0.005</td>
</tr>
</tbody>
</table>

Note: T denotes the last week of the index at the time of release.
Note: Several changes to the underlying data series were implemented with the July 8, 2020, release of the NFCI (data for week ending July 3). These changes led to revisions in the history of the NFCI and are described in the technical report.
**NFCl and ANFCl Revisions**

Note: Several changes to the underlying data series were implemented with the July 8, 2020, release of the NFCl (data for week ending July 3). These changes led to revisions in the history of the ANFCl and are described in the technical report.
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