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 NFCI and ANFCI

FAQs
Contributions to the NFCI and ANFCI by Category
Contributions to the NFCI by Indicator

- CBOE Market Volatility Index VIX
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread
- COMEX Gold/NYMEX WTI Futures Market Depth
- Other Negative

- BofAML 3-5 yr AAA CMBS OAS spread
- Markit Investment Grade (IG) 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)
COMEX Gold/NYMEX WTI Futures Market Depth
1-mo. Nonfinancial commercial paper A2P2/AA credit spread
CBOE Market Volatility Index VIX
Other Positive
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 - 04/10/2020

- BofAML 3-5 yr AAA CMBS OAS spread: 0.147
- CBOE Market Volatility Index (VIX): 0.142
- COMEX Gold/NYMEX WTI Futures Market Depth: 0.101
- 1-mo. Nonfinancial commercial paper A2P2/AA credit spread: 0.077
- BofAML High Yield/Moody's Baa corporate bond yield spread: 0.064
- Moody's Baa corporate bond/10-yr Treasury yield spread: 0.057
- 3-mo. TED spread (LIBOR-Treasury): 0.044
- Markit High Yield (HY) 5-yr Senior CDS Index: 0.037
- 3-mo. Eurodollar spread (LIBID-Treasury): 0.028
- 3-mo./1-wk AA Financial commercial paper spread: 0.021

Risk | Credit | Leverage
Recent ANFCI

2020 ANFCI

Economic Research (FRB Chicago)
Change in Recent ANFCI Contributions

02/14/2020 - 03/27/2020

3-mo. TED spread (LIBOR-Treasury)
COMEX Gold/NYMEX WTI Futures Market Depth
CBOE Market Volatility Index (VIX)
BofAML 3-5 yr AAA CMBS OAS spread
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
ICE BofAML ABS/5-yr Treasury yield spread

Risk Credit Leverage
Change in Recent ANFCI Contributions

03/27/2020 - 04/10/2020

-0.035
-0.034
-0.030
-0.026
-0.020
-0.018
-0.015
-0.013
-0.008
NFCl and ANFCI Revisions

Mean Absolute Values of Week-to-Week Revisions

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

The history of the NFCl 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 NFCl 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 | Jan | Feb | Mar | Apr
--- | --- | --- | --- | ---
2020-02-21 | 2020-03-06 | 2020-03-20 | 2020-04-03
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 | 0.0  | 0.4  |

2020-02-21 | 2020-03-06 | 2020-03-20 | 2020-04-03
2020-02-28 | 2020-03-13 | 2020-03-27 | 2020-04-10
Additional information available at chicagofed.org/nfci

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