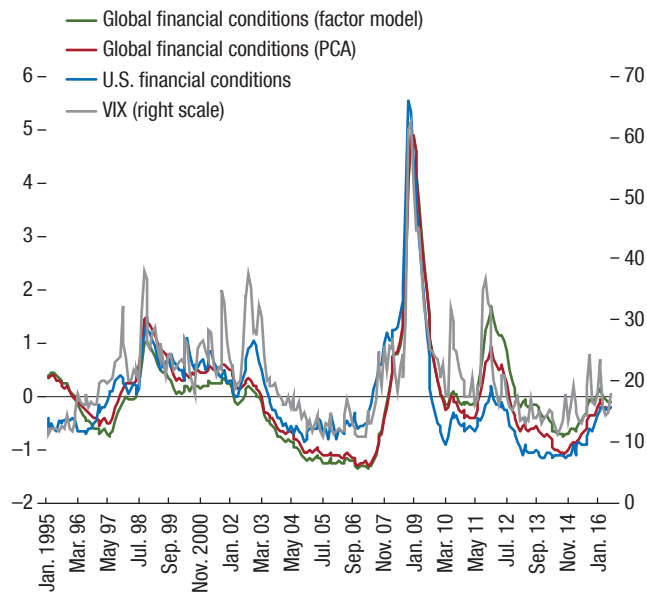


Figure 3.6. Single Factor versus Principal Component Analysis, 1995–2015
(Standard deviations)

Evidence suggests that global financial conditions move in lockstep with the U.S. financial conditions index and the VIX.



Sources: Haver Analytics; and IMF staff estimates.

Note: The figure displays two measures of global financial conditions derived from a factor model (global financial cycle) or from principal components analysis, the U.S. FCI, and the VIX. Higher values indicate tighter-than-average financial conditions. FCI = financial conditions index; PCA = principal component analysis; VIX = Chicago Board Options Exchange Volatility Index.