

Economics

THE WEEK AHEAD

January 19 - 23, 2026

Paying no attention to that man behind the curtain

by Avery Shenfeld avery.shenfeld@cibc.com

What do the subpoenas served on the Fed, plans to sharply expand Venezuelan oil production, a 50% increase in US defense spending in 2027, and a stated lack of US interest in trade talks with Canada have in common? They are all on an ever growing list of pronouncements from the US President or his team that financial markets have decided to largely ignore. Like Dorothy and her fellow travellers in Oz, investors have started to believe that the man behind the curtain isn't always a great and powerful wizard when it comes to following up on his announcements.

The result was that we saw no move to price in more rate cuts after the threat to Fed independence, and no increased concern over inflation being reflected in higher long term rates. There's been little reaction in oil prices to the Venezuelan story, and rather than falling in anticipation of greater supply, crude temporarily climbed in fear of a disruption in Iran. Canadian financial markets didn't shudder when, once again, Trump showed little enthusiasm for extending the USMCA.

For the most part, forecasters, including those of us at CIBC, have taken the same line. Leveraging massive investments in Venezuela's heavy oil basin seems to be a distant prospect in the face of major political uncertainties, tame crude prices, and high costs. Even if Powell is replaced with a dove, there are still many votes at the FOMC for a prudent approach to policy, and an adverse bond market reaction to excessive short rate cuts would be a barrier to abandoning that prudence. The US Trade Representative published a detailed list of negotiating points that underscores America's interest in proceeding with USMCA talks. Congress is ill-inclined to vote in a budget that raises defense allocations by 50% in a single year.

When you can only publish a single set of forecasts for interest rates, currencies, economic growth and oil prices, these have to be based on the most likely policy scenario. In many cases, the daily barrage from the President's social media posts, or off the cuff answers on Air Force One, are conveying steps that would seem to have a less than 50% chance of coming to fruition.

But while they don't meet the criterion for including in a base case forecast, that doesn't mean that they don't matter to investment decisions or economic outcomes. Investors need to take tail risks into account. Long Treasury yields will be less likely to head lower on good inflation news if there's even modest odds placed on a very inflationary monetary policy by a politicized Fed. Oil prices, particularly further out the futures curve, may face headwinds if they reach levels at which plans for additional Venezuelan output have even a touch more realism to them.

For Canada, our forecast for improved quarterly growth in 2026 rests on the assumption that sectors currently enjoying tariff free US access are able to retain it. That's not wholly dependant on extending the USMCA or even reaching a new bilateral deal, because a Supreme Court decision to strike down reciprocal and fentanyl tariffs would somewhat restrain the President's room to set permanently high tariffs on all of our exports. Keeping free trade, or very low tariff barriers for much of Canada's export sector, still seems the most likely scenario for our base case forecast.

But the remaining uncertainty on that front, amplified every time Trump expresses his protectionist sentiments over trade with Canada, does matter to that forecast. Until a deal is reached, capital spending by corporate Canada, the very target for much of Mark Carney's budget plans, will remain hampered by residual doubts on future US trade policies, and therefore, on the wisdom of pouring more funds into facilities aimed at southbound trade.

Except in sectors where third markets are easily accessible overseas, Canada's business leaders can't yet ignore what they're hearing from the President behind the curtain. That drag on capital spending is another reason for Governor Macklem to be very patient in any thoughts about when to start raising interest rates, and if anything, to be ready to ease further if US-policy-driven tail risks emerge.

Week Ahead Calendar And Forecast—Canada

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, January 19	8:30 AM	CPI M/M	(Dec)	(H)	-0.4%	-0.4%	0.1%
Monday, January 19	8:30 AM	CPI Y/Y	(Dec)	(H)	2.2%	2.2%	2.2%
Monday, January 19	8:30 AM	Consumer Price Index	(Dec)	(M)	-	165.1	165.4
Monday, January 19	8:30 AM	CPI Core- Median Y/Y%	(Dec)	(M)	2.7%	2.7%	2.8%
Monday, January 19	8:30 AM	CPI Core- Trim Y/Y%	(Dec)	(M)	2.7%	2.7%	2.8%
Monday, January 19	10:30 AM	BUSINESS OUTLOOK SURVEY	(4Q)	(M)	-	-	-2.3
Monday, January 19	10:30 AM	Release: Canadian Survey of Consumer Expectations	-	-	-	-	-
Tuesday, January 20	-	-	-	-	-	-	-
Wednesday, January 21	-	AUCTION: 30-YR CANADAS \$3B	-	-	-	-	-
Wednesday, January 21	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Dec)	(M)	-	-	0.9%
Wednesday, January 21	8:30 AM	RAW MATERIALS M/M	(Dec)	(M)	-	-	0.3%
Thursday, January 22	-	AUCTION: 2-YR CANADAS \$6B	-	-	-	-	-
Friday, January 23	8:30 AM	RETAIL TRADE TOTAL M/M	(Nov)	(H)	1.4%	1.2%	-0.2%
Friday, January 23	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Nov)	(H)	1.6%	1.2%	-0.6%

Week Ahead Calendar And Forecast—United States

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, January 19	-	-	-	-	-	-	-
Tuesday, January 20	-	AUCTION: 1-YR TREASURIES \$50B	-	-	-	-	-
Tuesday, January 20	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Jan)	(M)	-	-	-21.6
Wednesday, January 21	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Wednesday, January 21	7:00 AM	MBA-APPLICATIONS	(Jan 16)	(L)	-	-	28.5%
Wednesday, January 21	10:00 AM	LEADING INDICATORS M/M	(Dec)	(M)	-	-	-0.3%
Wednesday, January 21	10:00 AM	CONSTRUCTION SPENDING M/M	(Oct)	(M)	-	0.1%	-
Wednesday, January 21	10:00 AM	PENDING HOME SALES M/M	(Dec)	(M)	-	-	3.3%
Thursday, January 22	-	AUCTION: 10-YR TREASURIES \$21B	-	-	-	-	-
Thursday, January 22	8:30 AM	INITIAL CLAIMS	(Jan 17)	(M)	-	-	198K
Thursday, January 22	8:30 AM	CONTINUING CLAIMS	(Jan 10)	(L)	-	-	1884K
Thursday, January 22	8:30 AM	GDP (annualized)	(3Q T)	(H)	4.3%	4.3%	4.3%
Thursday, January 22	8:30 AM	GDP DEFLATOR (annualized)	(3Q T)	(H)	-	-	3.8%
Thursday, January 22	8:30 AM	PCE DEFLATOR Y/Y	(Nov)	(H)	-	2.7%	-
Thursday, January 22	8:30 AM	PCE DEFLATOR Y/Y (core)	(Nov)	(H)	-	2.8%	-
Thursday, January 22	8:30 AM	PERSONAL INCOME M/M	(Nov)	(H)	0.5%	0.4%	0.3%
Thursday, January 22	8:30 AM	PERSONAL SPENDING M/M	(Nov)	(H)	0.4%	0.5%	0.2%
Friday, January 23	9:45 AM	S&P GLOBAL US SERVICES PMI	(Jan P)	(L)	-	52.8	52.5
Friday, January 23	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Jan P)	(L)	-	-	52.7
Friday, January 23	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Jan P)	(L)	-	52.0	51.8
Friday, January 23	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Jan)	(H)	-	54.0	54.0

Week Ahead's market call

by Avery Shenfeld

In the **US**, the personal income and spending numbers will provide a two-month picture as we catch up on data missing due to the government shutdown. There are, however, issues associated with the missing price data for October, so monthly changes for November will be treated somewhat skeptically. November core PCE prices should be a bit reassuring on the inflation front, while the spending data, even with some doubts about how to deflate them, will point to still-healthy growth in consumption for Q4.

In **Canada**, a 0.4% drop in the CPI in December would represent a trend-like 0.2% rise in seasonally adjusted terms, and leave the 12-month rate at 2.2%. That's quite favourable given that there's an upward bias in the 12-month figure because the prior December benefited from a short-lived sales tax holiday on items like restaurant meals. Core inflation readings will remain a bit further above the 2% target, but we expect relief in the months ahead from the rent component, alongside the impacts of economic slack. What will look like a strong bounce in November retail sales could still see volumes fail to recover from two months of declines, part of what looks to be a very tepid Q4 economic growth rate.

Week Ahead's key Canadian number:
Consumer price index—December

(Monday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI (m/m)	-0.4	-0.4	0.1
CPI (y/y)	2.2	2.2	2.2

Inflation likely held steady at 2.2% in December, albeit with some change in composition compared with the prior month. A dip in gasoline prices to a level even further below where they stood a year prior, will put downward pressure on the headline reading. However, food price inflation will be stronger in year-over-year terms, as we begin to lap the period in late 2024/early 2025 when a temporary GST removal lowered restaurant prices.

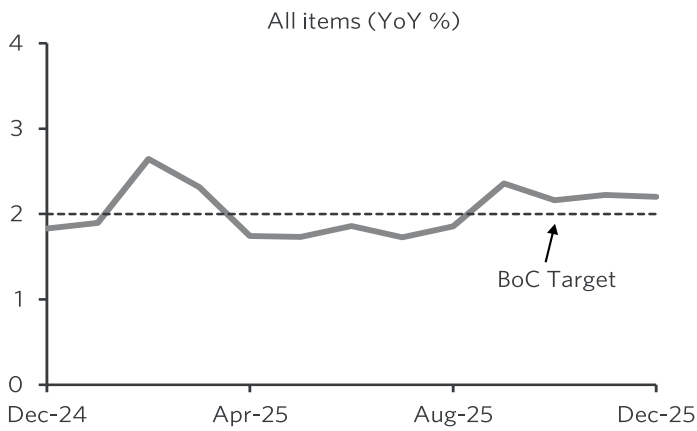
December is typically a month when aggregate prices fall, and the 0.4% reduction in unadjusted CPI would represent a trend-like 0.2% after seasonal adjustment. Core measures of inflation are expected to average 0.15% on the month and just over 2 ½ on a year-over-year basis.

Other Canadian releases:
Retail sales—November

(Friday, 8:30 am)

Retail sales are expected to have rebounded by 1.4% in November, although that will partly reflect higher prices and a jump back in alcohol sales following a labour dispute in the prior month. In volume terms the increase would likely fall short of recouping all of the ground lost during September and October. The advance estimate for December is likely to show a modest dip in sales, albeit mainly driven by lower gasoline prices.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Inflation is close enough to the Bank’s 2% target for policymakers to be perfectly comfortable sat on the sidelines for now. We expect inflation to dip below the 2% target later this year as easing rent inflation uncovers some disinflationary pressure resulting from an economy that still has excess capacity. Even if the economy is recovering by then, softer inflation will help the Bank remain patient and delay rate hikes until 2027.

Week Ahead's key US number: Personal income & outlays—November

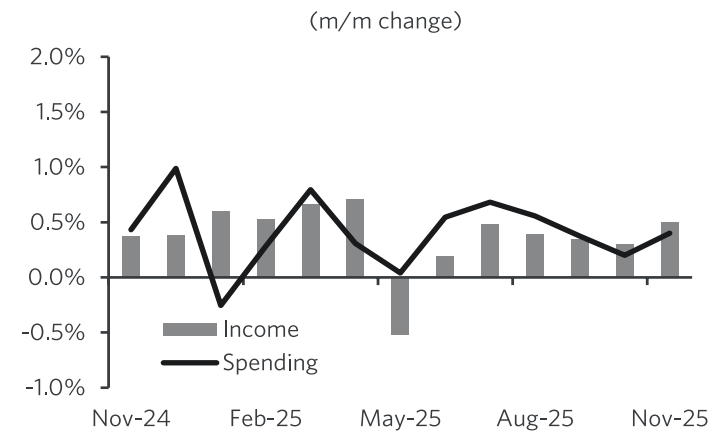
(Thursday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.5	0.4	0.3
Personal spending (m/m)	0.4	0.5	0.2
Core PCE price index (y/y)	2.6	2.8	-

In what will be a lighter data week, the November personal income and spending report will be the key data point of the week. The report will print October and November data, with the BEA estimating the October figures. Based on the two-month change in November in the CPI data, we expect core PCE readings will be soft, rising by average of 0.1% in each month. Consumer spending data will be solid in inflation-adjusted terms, at 0.2% and 0.3% respectively, while labor income growth will look good at 0.3% and 0.5% in the two months reported.

Chart: US personal income and spending



Source: BEA, Haver Analytics, CIBC

Forecast implications — This data is mostly stale and the Fed will be skeptical about the October price data. It is unlikely to have any impact on the Fed, which will be on hold this month.

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