CIBC Economics

THE WEEK AHEAD

September 14 - 18, 2026

The Fed can't wait; the Bank of Canada can and should

by **Avery Shenfeld** avery.shenfeld@cibc.com

On the 25th anniversary of the events of 9-11, we remember those who died as a result of that tragedy. That includes those killed in the attack and in the heroic efforts to save them, as well as the nearly 2,500 American service personnel, and the 158 members of Canada's armed forces, who perished in the subsequent war in Afghanistan. Our two countries stood side-by-side in opposition to extremism. One can hope that recalling that partnership will be a small step to easing the trade tensions that have soured the historic economic and security partnership between Canada and the US.

Events emanating in the Middle East will also feature heavily on the economic front in the weeks ahead, including in setting policy rates of interest. Our forecast had been for the Fed to stay on hold this year, but we repeatedly cautioned that the ability to do so would be contingent on seeing a clear path towards cooling energy costs. For a few months, that seemed to be the most plausible outcome, but our geopolitical forecast has proven to be off the mark.

What's clear is that the future course of gasoline, diesel and other prices lifted by the conflict with Iran is now anything but clear. In only the last few days, messaging from the White House has put the timing for oil price relief at anywhere from one day after the midterms all the way out to two years from now. With strategic reserves having been drained, crude prices could climb further if tankers aren't willing to risk passage through the Straits.

As a result, the Fed simply can't wait on the sidelines, and it's not because core CPI was one tick higher than expected today. Failing to at least begin nudging the fed funds rate higher would raise two risks that exceed the risks to the economy from a higher policy rate. For one, long term interest rates that feed into mortgages could end up spiking even further if the Fed seems unwilling to lean against inflation. If the bond market didn't do that immediately, upcoming increases in headline CPI could do so by adding to inflation expectations.

Moreover, in an economy that is operating at full employment, there's a material risk that headline price pressures from fuel costs will bleed into core inflation measures. The first wave of that is showing up in airfares, but soaring diesel prices will impact shipping costs for a broad range of goods. And core PCE inflation is already starting from a level that's materially above the 2% target. So we look for the Fed to hike 25 basis points in the week ahead, and follow that up with a further quarter point in October. If there are some signs by December that a deal or other steps to improve oil flows are close at hand, the Fed could at that point return to its watchful waiting stance.

While markets see the Bank of Canada also stepping in with multiple rate hikes, we see reasons why it could, and should, speak tough but defer action until 2027, when the picture will be clearer on both the Iran front, and the Canada-US front. Its position differs from that of the Fed in four material ways. First, the starting point has various Canadian core inflation measures averaging roughly at the 2% target for total CPI. Second, the economy is operating with economic slack that will put downward pressure on prices with limited exposure to fuel costs, as we saw when oil prices were even higher back in April and May. Third, while Canada's policy rate, at 2.25% is well below that of the US, other headwinds and the lack of as much AI spending as in the US have meant that interest sensitive demand for capital goods and consumer durables has not seen sustained momentum.

Most importantly, Canada faces a tariff-related shock to exports, capital spending and employment in affected sectors, that with a lag will open up further disinflationary economic slack. Until we see signs of progress, the Bank of Canada risks hiking rates into an economic outlook that could be darkened by further retaliatory measures being mused about in Washington, including a threatened 50% tariff on autos and parts come January. CUSMA is itself at risk, since even if the US formally sticks with it, it's showing no concern about imposing tariffs that violate that treaty.

If they persist, the tariffs launched in August would trim about a half-percent from economic growth over the coming year, and a bit more from employment. But a failure to achieve reductions in the sectoral tariffs imposed in 2025, and the threat to raise them further, would significantly weaken our outlook relative to a base case that had assumed that a trade deal was coming. As it did in the spring, the Bank of Canada will talk sternly about its willingness to act if above-target inflation persists, but until we achieve a meaningful truce in the trade war, it has reason to defer actual hikes until after the turn of the year when, in our base case outlook, a trade deal might again be achievable.

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, September 14	8:30 AM	CPI M/M	(Aug)	(H)	0.0%	0.0%	0.5%
Monday, September 14	8:30 AM	CPI Y/Y	(Aug)	(H)	3.1%	3.0%	3.0%
Monday, September 14	8:30 AM	CPI Ex Food and Energy Y/Y	(Aug)	(H)	2.0%	-	1.9%
Monday, September 14	8:30 AM	CONSUMER PRICE INDEX	(Aug)	(M)	-	169.8	169.9
Monday, September 14	8:30 AM	CPI Core- Median Y/Y%	(Aug)	(M)	2.0%	2.0%	2.0%
Monday, September 14	8:30 AM	CPI Core- Trim Y/Y%	(Aug)	(M)	1.9%	1.9%	1.9%
Monday, September 14	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Jul)	(M)	-0.2%	-0.2%	0.1%
Tuesday, September 15	5:00 AM	EXISTING HOME SALES M/M	(Aug)	(M)	-	-	0.5%
Tuesday, September 15	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Jul)	(M)	-0.5%	-	2.8%
Wednesday, September 16	8:15 AM	HOUSING STARTS SAAR	(Aug)	(M)	235.0K	235.0K	229.1K
Wednesday, September 16	8:30 AM	BUILDING PERMITS M/M	(Jul)	(M)	-	-	18.5%
Wednesday, September 16	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Thursday, September 17	-	AUCTION: 30-YR CANADAS $3B	-	-	-	-	-
Thursday, September 17	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Aug)	(M)	-	-	0.6%
Thursday, September 17	8:30 AM	RAW MATERIALS M/M	(Aug)	(M)	-	-	-2.2%
Thursday, September 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(Jul)	(M)	-	-	$40.8B
Friday, September 18	-	-	-	-	-	-	-

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, September 14	-	-	-	-	-	-	-
Tuesday, September 15	-	AUCTION: 20-YR TREASURIES $13B	-	-	-	-	-
Tuesday, September 15	8:30 AM	NEW YORK FED (EMPIRE)	(Sep)	(M)	-	14.1	20.6
Wednesday, September 16	7:00 AM	MBA-APPLICATIONS	(Sep 11)	(L)	-	-	-2.7%
Wednesday, September 16	8:30 AM	IMPORT PRICE INDEX M/M	(Aug)	(L)	-	-	-0.4%
Wednesday, September 16	8:30 AM	EXPORT PRICE INDEX M/M	(Aug)	(L)	-	-	-1.3%
Wednesday, September 16	8:30 AM	RETAIL SALES M/M	(Aug)	(H)	0.7%	0.9%	-0.6%
Wednesday, September 16	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Aug)	(H)	0.3%	0.5%	-0.3%
Wednesday, September 16	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Aug)	(H)	0.3%	0.4%	-0.4%
Wednesday, September 16	10:00 AM	NAHB HOUSING INDEX	(Sep)	(L)	-	34.0	35.0
Wednesday, September 16	10:00 AM	BUSINESS INVENTORIES M/M	(Jul)	(L)	-	0.2%	0.0%
Wednesday, September 16	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Sep 16)	(H)	4.00%	3.75%	3.75%
Wednesday, September 16	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Sep 16)	(H)	3.75%	3.50%	3.50%
Wednesday, September 16	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Jul)	(L)	-	-	$172.7B
Thursday, September 17	-	AUCTION: 10-YR TIPS $19B	-	-	-	-	-
Thursday, September 17	8:30 AM	INITIAL CLAIMS	(Sep 12)	(M)	-	-	206K
Thursday, September 17	8:30 AM	CONTINUING CLAIMS	(Sep 5)	(L)	-	-	1774K
Thursday, September 17	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Sep)	(M)	-	28.6	47.4
Thursday, September 17	8:30 AM	HOUSING STARTS SAAR	(Aug)	(M)	1310K	1315K	1239K
Thursday, September 17	8:30 AM	BUILDING PERMITS SAAR	(Aug P)	(H)	1410K	1410K	1433K
Thursday, September 17	10:00 AM	PENDING HOME SALES M/M	(Aug)	(M)	-	-	-2.3%
Friday, September 18	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Aug)	(H)	0.2%	0.3%	0.2%
Friday, September 18	9:15 AM	CAPACITY UTILIZATION	(Aug)	(M)	76.4%	76.4%	76.3%
Friday, September 18	10:00 AM	LEADING INDICATORS M/M	(Aug)	(M)	-	0.2%	0.2%

Week Ahead's market call

by Avery Shenfeld

In the **US**, the doves on the Fed have likely flipped over in the face of climbing bond yields, a strong jobs report, a slight uptick in core CPI and, importantly, an escalation in oil prices without much assurance on when that might end. Warsh cannot allow himself to be in a minority dissenting camp in such an early vote in his role as Chair, and his last speech opened the door for him to vote for a hike if that was the sentiment of the committee. Retail sales look to be weaker than consensus expectations, but none of the economic releases are likely to catch much attention in a week focused on central bank policy.

In **Canada**, the Bank of Canada's summary of deliberations will, by design, sound quite hawkish, in order to show resolve in meeting their inflation targets, while still noting the uncertainties coming from trade tensions with the US. August's core CPI reading should average close to the 2% target for headline inflation, which in our view gives the Bank more elbow room to wait and see, which it has to do anyway with the next rate announcement not due until late October.

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

(Monday, 8:30 am)

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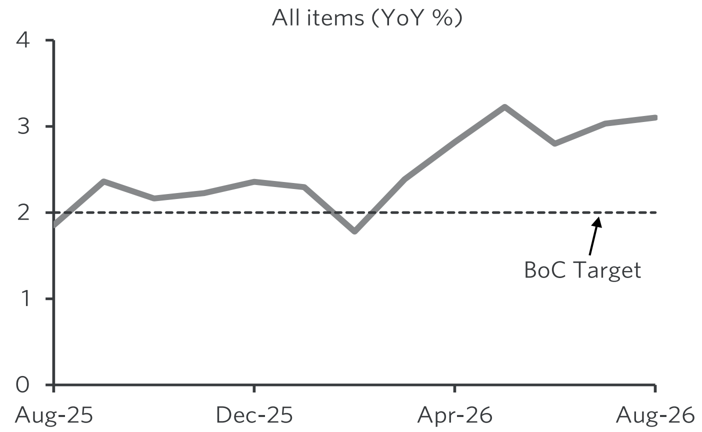
Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.0	0.0	0.5
CPI (y/y)	3.1	3.0	3.0

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Gasoline prices had a wild ride during the month, but on average were little changed in August when compared to the prior month. The monthly increase in prices excluding food and energy may have decelerated slightly (+0.2% SA), with most of the oil-price driven increase in airline fares already likely captured in the prior two months. Rent inflation is expected to continue decelerating and picking up more of the weakness that has been seen in market asking prices for a while now. Core measures of inflation are all expected to remain close to 2% on a year-over-year basis.

Forecast implications — With another CPI print due to be released before the Bank of Canada's next meeting, the August data is not make or break for that decision. However, if core measures of inflation continue to stick close to 2%, and given the cloud of trade uncertainty that still hangs over the Canadian economy, we continue to forecast that the Bank of Canada will remain on hold even if energy prices result in a further acceleration in headline inflation.

Week Ahead's key US number: Retail sales—August

(Wednesday, 8:30 am)

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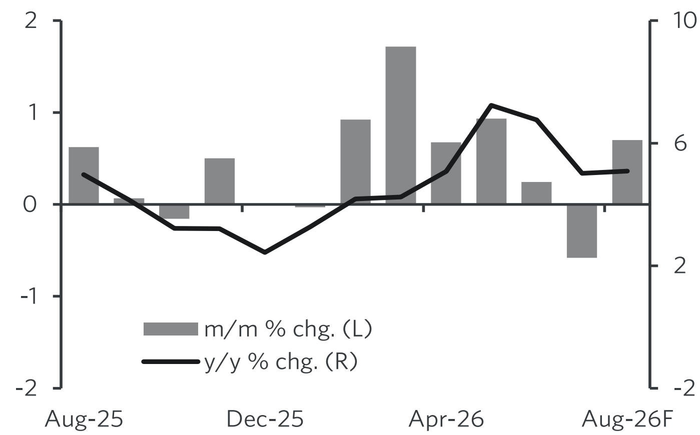
Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	0.7	0.9	-0.6
Retail sales - ex-auto	0.3	0.5	-0.3
Retail sales - control group	0.3	0.4	-0.4

Chart: US retail sales



Source: Census Bureau, Haver Analytics, CIBC

Higher sales at auto dealers, gasoline stations, and non-store retailers likely contributed to a 0.7% increase in total retail sales in August. The decline in headline retail sales in July was largely driven by a sharp drop in non-store retailers, as the impact of a major online retailer's June promotion faded. In August, sales in this category are expected to recover. Auto sales also showed solid growth in August, reversing July's decline. In addition, higher gasoline prices likely supported stronger sales at gasoline stations. Excluding autos, retail sales are expected to rise 0.3%, following two straight monthly declines, helped by a rebound in online and gasoline sales. The retail sales control group — which excludes more volatile categories such as gasoline, autos, and building supplies — is also expected to post a steady 0.3% gain, supported by the recovery in online sales.

Forecast implications — This data release lands on the same day as the US interest rate decision, and likely not enough on its own to materially change the Fed's direction. Consumer spending resilience and strong AI-related investment have been key drivers of solid U.S. growth. But elevated gasoline prices, and the fading boost from the higher tax refunds are creating headwinds for consumption.

Other US Releases: Industrial production—August

(Friday, 9:15 am)

We expect a modest 0.2% increase for August industrial production led by an increase in manufacturing supported by AI-related investments. The computer and electronic sector should continue to post solid gains as the AI demand remains strong. August temperatures were warmer than normal across the US, which likely supported a solid increase in utilities output.

Housing starts—August

(Thursday, 8:30 am)

We expect August housing starts to rebound after a 12% monthly decline to in July. The signals from the August payrolls report were positive as construction posted steady job gains and hours worked. However, August existing home sales declined to the lowest level since June 2025, and most housing indicators remain subdued. Elevated borrowing costs, rising inflation and broad economic uncertainty continue to curb buyer demand and hold back activities in the housing sector.

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