Economics

THE WEEK AHEAD

December 1 - 5, 2025

Fed to shoot first, get answers later

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

We've abandoned our call for a Fed pause in December, but not because the facts have materially changed. Prior to late last week, we judged that due to the government shutdown, the data were too thin, and too contradictory, for the central bankers to reach a clear decision. Waiting until the January meeting, when the facts would all be in, made a lot of sense. But apparently, after hearing from some of the FOMC members, that's not how they see it. Instead, a majority look poised to shoot first, with a rate cut in December, and get answers to their questions later.

There are plenty of unanswered questions that a prudent central bank might want to know more about before easing further. Just how needy is the economy for further interest rate relief right now? The data on that score are contradictory. On the plus side, our tracking data suggests that Q3 growth was running at a roughly 3% clip. But we don't have much to go on for Q4, and the early data for that quarter will see a one-time hit from the government shutdown. Earnings reports from retailers don't look too gloomy, and durable orders, a more forward looking and highly cyclical indicator, looked healthy in the latest release.

Employment, in contrast, has been oddly soft given the brisk pace to growth over the last two quarters. The latest figures showed tame jobless benefit claims and improvement in the payrolls count. But the latter was way back in September, so the Fed should want to see the two missing months that will only be reported after their meeting. If there's one data point that's pushing the central bank to ease, it's the further uptick in the jobless rate to 4.4%. But we don't have a clear indicator of whether unemployment had further escalated by November, or even eased off a touch.

As for inflation, are they still keeping a watchful eye on that? The last reading on year-on-year core PCE prices had them running nearly a full percentage point above the 2% target, a much larger gap than where the jobless rate sits versus the full employment target. Is it starting to heat up as goods subject to tariffs hit store shelves for the holidays? We don't know, although gasoline prices will cushion for headline inflation.

So why the hurry to cut, rather than wait for the facts to roll in over a matter of weeks? The nagging from the President may have had some influence on Trump appointees like Waller and Bowman, and of course, on Miran, who has a White House job to return to only if he behaves himself by advocating deeper rate cuts. We suspect that Williams, among the leadership team at the Fed, is using his own dovish turn to signal Powell's willingness to accede to this cut. The Chair may have opted to avoid a vote to pause in December that would have had several dissents.

But to reassert that he's still the man in charge, and perhaps to send a message to his successor, we expect Powell to demand something in exchange for his rate cut vote. That could come in an accompanying statement that underscores that decisions on rates in Q1 will depend on getting the right answers to all of those data questions that are currently unanswerable.

Make no mistake, a quarter point rate cut would not be an irrevocable error if it turns out that the economy doesn't really need it, or if inflation drifts a bit higher. Rates are still somewhat above neutral, and the Fed could make up for a too-early cut by having a longer pause in early 2026. We don't see signs that inflation is about to roar ahead as it did in 2022, as the global economy isn't overheated, oil prices are tame, and wages aren't on fire.

But that said, it wouldn't make a material difference to the economy if the Fed opted to wait for the data in the next several weeks, and if need be, cut by 50 basis points in January if that data showed more labour market weakness and less inflation than we expect. It's just that such clear-headed reasoning isn't as fashionable at a central bank that is now surrounded by Washington's heated partisanship.

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, December 1	-	-	-	-	-	-	-
Tuesday, December 2	-	AUCTION: 3-M BILLS $11B, 6-M BILLS $4B, 1-YR BILLS $4B	-	-	-	-	-
Wednesday, December 3	-	AUCTION: 10-YR CANADAS $5.3B	-	-	-	-	-
Wednesday, December 3	8:30 AM	LABOUR PRODUCTIVITY Q/Q	(3Q)	(M)	-	-	-1.0%
Thursday, December 4	10:00 AM	IVEY PMI	(Nov)	(L)	-	-	52.4
Friday, December 5	8:30 AM	EMPLOYMENT CHANGE	(Nov)	(H)	0.0K	-5.0K	66.6K
Friday, December 5	8:30 AM	UNEMPLOYMENT RATE	(Nov)	(H)	7.0%	7.0%	6.9%

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, December 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Nov)	(L)	-	-	51.9
Monday, December 1	10:00 AM	ISM - MANUFACTURING	(Nov)	(H)	48.9	49.0	48.7
Monday, December 1	8:00 PM	Speaker: Jerome H Powell (Chairman) (Voter)	-	-	-	-	-
Tuesday, December 2	10:00 AM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Wednesday, December 3	7:00 AM	MBA-APPLICATIONS	(Mar 28)	(L)	-	-	0.2%
Wednesday, December 3	8:15 AM	ADP EMPLOYMENT CHANGE	(Nov)	(M)	-	20K	42K
Wednesday, December 3	8:30 AM	IMPORT PRICE INDEX M/M	(Sep)	(L)	-	0.1%	0.3%
Wednesday, December 3	8:30 AM	EXPORT PRICE INDEX M/M	(Sep)	(L)	-	0.0%	0.3%
Wednesday, December 3	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Sep)	(H)	0.1%	0.1%	-0.1%
Wednesday, December 3	9:15 AM	CAPACITY UTILIZATION	(Sep)	(M)	77.4%	77.3%	75.8%
Wednesday, December 3	9:45 AM	S&P GLOBAL US SERVICES PMI	(Nov)	(L)	-	-	55.0
Wednesday, December 3	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Nov)	(L)	-	-	54.8
Wednesday, December 3	10:00 AM	ISM - SERVICES	(Nov)	(M)	52.5	52.0	52.4
Thursday, December 4	8:30 AM	INITIAL CLAIMS	(Nov 29)	(M)	-	-	216K
Thursday, December 4	8:30 AM	CONTINUING CLAIMS	(Nov 22)	(L)	-	-	1960K
Thursday, December 4	12:00 PM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Friday, December 5	10:00 AM	PCE DEFLATOR Y/Y	(Sep)	(H)	2.8%	2.8%	2.7%
Friday, December 5	10:00 AM	PCE DEFLATOR Y/Y (core)	(Sep)	(H)	2.8%	2.8%	2.9%
Friday, December 5	10:00 AM	PERSONAL INCOME M/M	(Sep)	(H)	0.3%	0.3%	0.4%
Friday, December 5	10:00 AM	PERSONAL SPENDING M/M	(Sep)	(H)	0.3%	0.3%	0.6%
Friday, December 5	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Dec P)	(H)	-	52.0	51.0
Friday, December 5	3:00 PM	CONSUMER CREDIT	(Oct)	(L)	-	$15.0B	$13.1B

Week Ahead's market call

by Avery Shenfeld

In the **US**, we're getting back into the swing of looking at economic data, and while there are several releases this week, if our forecasts are on the mark, none of them will be significant surprises. Powell might keep his cards close to the chest ahead of a divided FOMC meeting, but we're expecting Bowman to be on board with a December rate cut. That's now also our forecast, not because there's a clear case for it, but because statements by FOMC members suggest that they're jittery enough about the jobless rate creeping higher to opt to move ahead of a lot of data to come in the next few weeks.

In **Canada**, while employment might be on a modest upward path, the prior month seems to have been an outlier on the high side relative to other indicators. That could see the jobless rate reverse some but not all of the prior month's improvement with an uptick back to 7.0%. That's likely not enough to bring some of the BoC hawks onside for a December rate cut, because the Bank's last statement suggested they wanted to step aside and let some data go by to judge whether rates were indeed, as they put it, "about right" at this point.

Week Ahead's key Canadian number: Labour force survey—November

(Friday, 8:30 am)

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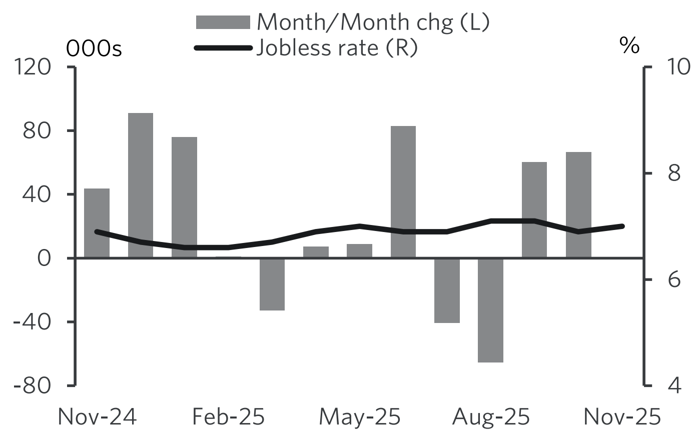
Variable	CIBC	Mkt	Prior
Employment change	0.0K	-5.0K	66.6K
Unemployment rate	7.0%	7.0%	6.9%

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

Following two months of strong hiring, employment growth in Canada could have stalled in November. That would be in line with survey evidence showing that businesses are increasingly putting hiring plans on hold amidst trade uncertainty and tame consumer demand. Moreover, the jump in youth employment that supported the prior month's gain is unlikely to be repeated. That would leave the level of employment only slightly above where it stood pre-trade tensions, with the unemployment rate expected to rise by a tick to 7.0%.

Forecast implications — Our forecast would still leave the 6-month average pace of hiring at just under 20K, which will keep the BoC on the sidelines. We expect the unemployment rate to stabilize from here and fall through 2026 on progress towards renewing CUSMA, and as prior rate cuts work their way through the economy.

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

(Friday, 10:00 am)

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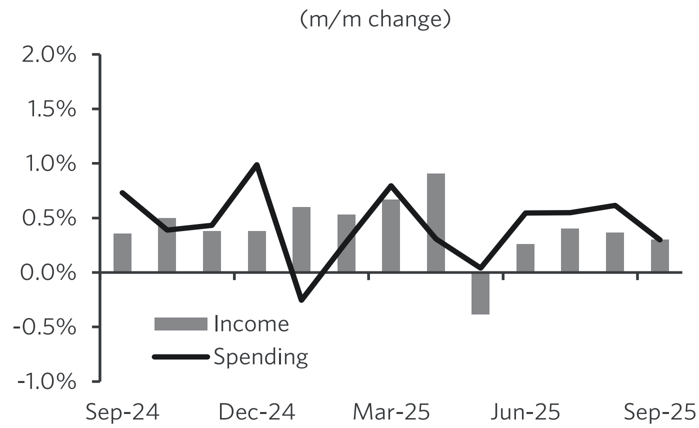
Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.3	0.3	0.4
Personal spending (m/m)	0.3	0.3	0.6
Core PCE price index (y/y)	2.8	2.8	2.9

The September personal income and spending report will show another moderate inflation print. We expect core PCE price index to rise by 0.2% m/m, and headline prices to gain by 0.3%. Retail sales and CPI data suggest real consumption growth will be flat, while the payroll report suggests income grew by 0.3%. The bottom line of the report will be that underlying inflation was muted in the month, and the pace of consumer spending slowed after several strong months.

Chart: US personal income and spending



Source: BEA, Haver Analytics, CIBC

Forecast implications — While 12-month PCE inflation remains above target, there won't be much in this report to dissuade the FOMC from delivering another ease in December.

Market implications — With most of the source data for this release already available, it shouldn't move the needle for the market, which has become convinced of another Fed cut based on Fedspeak.

Other US Releases:
ISM Manufacturing & Services—November

(Tuesday & Thursday, 10:00 am)

Regional manufacturing surveys point to a November ISM manufacturing report that should be a touch higher. We expect the index to remain in modest contractionary territory at 48.9, compared to 48.7 in the prior month. The services index should show a slight improvement from 52.4 in October to 52.5.

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