

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

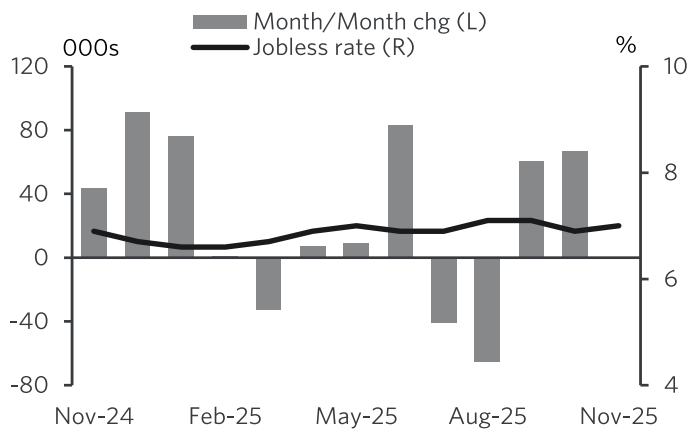
(Friday, 8:30 am)

Katherine Judge katherine.judge@cibc.com

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

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%.

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

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

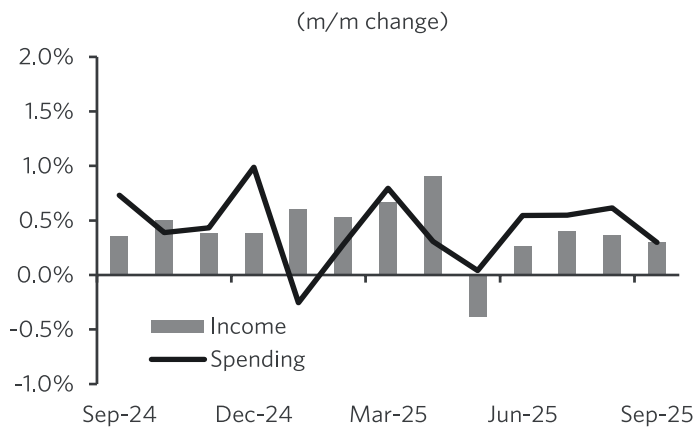
(Friday, 10:00 am)

Ali Jaffery ali.jaffery@cibc.com

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.

Contacts:

Avery Shenfeld
avery.shenfeld@cibc.com

Benjamin Tal
benjamin.tal@cibc.com

Andrew Grantham
andrew.grantham@cibc.com

Ali Jaffery
ali.jaffery@cibc.com

Katherine Judge
katherine.judge@cibc.com

CIBC Capital Markets
PO Box 500
161 Bay Street, Brookfield Place
Toronto, Canada, M5J 2S8
[Bloomberg @ CIBC](https://www.bloomberg.com/profile/company/CIBCCM:CA)

economics.cibccm.com

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.