Economics

THE WEEK AHEAD

July 21 - 25, 2025

The Dangers of Jay Walking

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

Markets have seen some short-lived jitters over evidence that President Trump has been openly discussing a move to dismiss the Fed Chairman. The fear is that any Trump appointee would bring an excessively dovish stance that would fuel inflation and undermine long dated bonds and the US dollar. Jay Powell could be walked out of his job now if Trump can claim it's for cause, and if not now, then will certainly be unseated when his term as Chair (but not his seat on the FOMC) expires next May. But we see only a modest risk to investors in our base case, which captures our view on the most likely outcome.

An early dismissal would represent the greater risk, for two reasons. Even it were linked to the current office renovation, it would be seen as a direct challenge to Fed independence, a principal that virtually all economists agree has served Americans well. Moreover, by next spring, if tariffs end up at sufficiently moderate levels, their inflation impacts would likely have crested, and even an Independent Fed could be in the process of bringing rates down towards their neutral estimate, if not very close to what Trump has advocated.

The President will likely have heard from his Treasury Secretary that an early dismissal would be counterproductive if the goal is lower borrowing costs. For that reason, our working assumption is that we won't see any Jay walking just yet. One new dovish vote on the FOMC would fall far short of what would be needed to swing the vote towards a quick cut in short rates. But long term rates would actually climb as investors priced in a higher and less certain inflation path. So the President will be counselled to limit himself to words rather than actions.

Those words could well include a dovish critique from an early White House nominee for the Chair. But that's unlikely to have much sway on FOMC decisions, any more than the few FOMC doves who are already pushing for an early cut.

Finally, even when the new Chair takes up his or her post, there would be a long, drawn out process to appoint new dovish members of its board, new senior staff to tilt forecasts to justify dramatic cuts, and for the board to approve new regional presidents with a dovish bias. The Fed, after all, is far from a one-man band. It's staffed by a small army of professional forecasters, whose outlook is presented right before the FOMC begins its own discussions on policy, and thereby carries meaningful weight. Each regional president has his or her own staff economists who contribute to their regional outlooks between meetings. This institutional backdrop is the reason why the core approach to policy has seen little change as Bernanke gave way to Yellen and then to Powell, and why Fed Chairs have been reappointed by presidents after the White House changed parties.

If rate cuts were beginning to push inflation and long yields higher, Senators who have to approve Fed appointments, and even the Trump team, would have ample time to shift their thinking. So while we'll join the pack warning against a move that undermines Fed independence, our base case rate forecasts don't yet include any sounding of the monetary policy alarm bells.

So far, markets seem to share that view. The futures market is pricing in nearly two rate cuts by year end. While that's almost one more than our call, it's essentially in line with the most recent median FOMC projection, and nowhere near Trump's call for hundreds of basis points of easing.

Thirty-year Treasury yields look a touch elevated at nearly 5 percent, but that seems to be more tied to deficit concerns than runaway inflation risks. Five year breakeven inflation rates from the TIPS market imply a CPI inflation rate in the mid 2 percent range, which would have PCE inflation only slightly above the Fed's target. In sum, we're all counting on sound monetary policy ahead, and an expectation that if Jay does walk the plank, there will still be enough steady hands on deck to steer the right course.

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, July 21	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Jun)	(M)	-	-	-0.5%
Monday, July 21	8:30 AM	RAW MATERIALS M/M	(Jun)	(M)	-	-	-0.4%
Monday, July 21	10:30 AM	BoC BUSINESS OUTLOOK SURVEY	(Q2)	(M)	-	-	-2.1
Monday, July 21	10:30 AM	BoC SURVEY OF CONSUMER EXPECTATIONS	(Q2)	(M)	-	-	-
Tuesday, July 22	-	-	-	-	-	-	-
Wednesday, July 23	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Thursday, July 24	-	AUCTION: 10-YR CANADAS $0.5B	-	-	-	-	-
Thursday, July 24	8:30 AM	RETAIL TRADE TOTAL M/M	(May)	(H)	-1.1%	-1.0%	0.3%
Thursday, July 24	8:30 AM	RETAIL TRADE EX-AUTO M/M	(May)	(H)	-	-0.2%	-0.3%
Friday, July 25	-	-	-	-	-	-	-

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, July 21	8:30 AM	LEADING INDICATORS M/M	(Jun)	(M)	-	-0.2%	-0.1%
Tuesday, July 22	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Jul)	(M)	-	-	-25
Tuesday, July 22	10:00 AM	RICHMOND FED MANUF. INDEX	(Jul)	(M)	-	-	-7
Tuesday, July 22	8:30 AM	Speaker: Jerome H Powell (Chairman) (Voter)	-	-	-	-	-
Tuesday, July 22	1:00 PM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Wednesday, July 23	-	AUCTION: 20-YR TREASURIES $13B	-	-	-	-	-
Wednesday, July 23	7:00 AM	MBA-APPLICATIONS	(Jul 18)	(L)	-	-	-10.0%
Wednesday, July 23	10:00 AM	EXISTING HOME SALES SAAR	(Jun)	(M)	-	4M	4M
Wednesday, July 23	10:00 AM	EXISTING HOME SALES M/M	(Jun)	(M)	-	-0.7%	0.8%
Thursday, July 24	-	AUCTION: 10-YR TIPS $21B	-	-	-	-	-
Thursday, July 24	8:30 AM	INITIAL CLAIMS	(Jul 19)	(M)	-	-	221K
Thursday, July 24	8:30 AM	CONTINUING CLAIMS	(Jul 12)	(L)	-	-	1956K
Thursday, July 24	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Jun)	(M)	-	-	-0.3
Thursday, July 24	9:45 AM	S&P GLOBAL US SERVICES PMI	(Jul P)	(L)	-	-	52.9
Thursday, July 24	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Jul P)	(L)	-	-	52.9
Thursday, July 24	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Jul P)	(L)	-	-	52.9
Thursday, July 24	10:00 AM	NEW HOME SALES SAAR	(Jun)	(M)	660K	650K	623K
Thursday, July 24	10:00 AM	NEW HOME SALES M/M	(Jun)	(M)	5.9%	4.3%	-13.7%
Friday, July 25	8:30 AM	DURABLE GOODS ORDERS M/M	(Jun P)	(H)	-12.0%	-10.0%	16.4%
Friday, July 25	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Jun P)	(H)	0.1%	0.0%	0.5%

Week Ahead's market call

by Katherine Judge

In the **US**, it's a quiet week for economic data, and the Fed is in its blackout period, which will keep investors focused on commentary from the White House on both the Fed and trade negotiations. Q2 earnings reports will reveal how businesses are coping with tariffs, with reports so far showing resilience.

In **Canada**, the data calendar is also sparse, with retail sales likely to show a contraction in May in line with the advance estimate, but the June advance release may show an improvement as the labour market strengthened. The Bank of Canada's Q2 business outlook and consumer expectations surveys will capture the mid-quarter deterioration in sentiment and provide information on how investment plans have changed as tariffs have escalated since the prior survey.

Week Ahead's key Canadian number: Retail sales—May

(Friday, 8:30 am)

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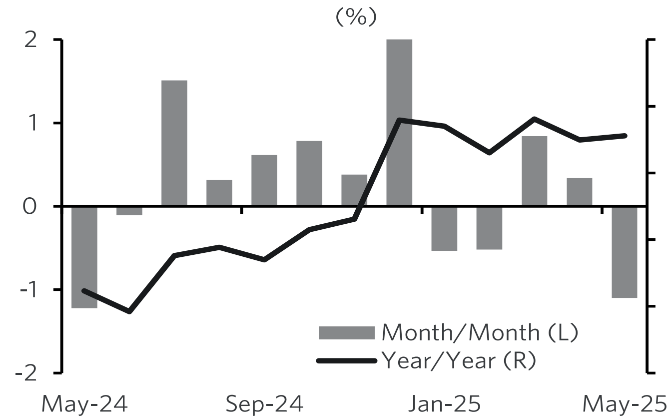
Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	-1.1	-1.0	0.3

Chart: Canadian retail sales



Source: Statistics Canada, Haver Analytics, CIBC

The decline expected in retail sales in May was likely magnified by a drop off in auto purchases following two strong months of tariff-front running efforts. Elsewhere, tariff passthrough into food prices and higher prices at the pump would have left less money for spending on discretionary goods, along with the increase in the unemployment rate during the month.

Forecast implications — Price increases in May imply an even worse retail figure in volume terms, with consumer caution contributing to the expected drop in GDP for that month. The bounce back in the labour market in June implies that spending improved, and that will buy the BoC more time to see how trade negotiations play out before policymakers likely decide to cut again in September.

There are no major US data releases next week.

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