

THE WEEK AHEAD

November 4 - 8, 2024

The morning after

by Avery Shenfeld avery.shenfeld@cibc.com

The lead up to major events typically entails a rise in uncertainty, and the event itself then resolves that uncertainty one way or another. But for the upcoming US election, the only certainty is that there could be at least as much uncertainty the morning after we know the winner.

Should Harris win the Presidency, it seems unlikely that the coattails effect will be large enough to preserve the Democrat's razor thin Senate majority, even if the House turns blue. That will still leave a lot of open questions over fiscal policy ahead, with the Senate likely to block passage of much of her platform. While those pledges would have added to budget deficits, a political stalemate might leave borrowing little changed. But it will be a while before that's apparent, so residual uncertainties could see the bond market take its time to fully unwind the recent increase in the term premium built into long rates ahead of the vote.

It's clear that a Trump victory would raise that uncertainty bar much higher. Odds are that he'll face either a Democratic House, or at least lack the supermajority needed to sail through the passage of his full fiscal agenda. Fears of deficit increases in 2026 and their impact on the room for Fed rate cuts, and the hit to longer yields from greater financing needs, will remain, because nobody will know for many months just what the final budget outcome will look like.

Similarly, trade and tariff policies that could put a chill on Canada and other key US trading partners, raise prices for US consumers, or stall growth for American exporters facing retaliatory tariffs, will linger through 2025 before we get clues on what we're actually going to see, versus what is only a negotiating threat. That could also be true for other policy fronts pertaining to energy, carbon emissions, regulatory reforms and so on.

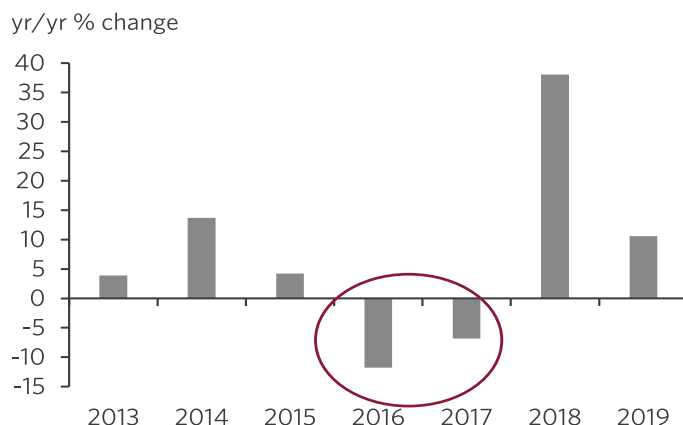
In general, we expect that a Trump presidency might in the end be less damaging to trade relations or fiscal deficits than what markets might price in on day one, but we can't be too confident about that call. And there are some issues where the uncertainty itself, and the likelihood that it persists through 2025, will have a clear directional impact. Just as one example, capital spending in Canadian export industries in 2025 will be negatively impacted by the uncertain future of Canada's

tariff-free access to US markets until we get more clarity on that issue, which might be a year or more away.

That's a negative for growth, and one that all else equal, could prompt a bit more easing by the Bank of Canada than if that uncertainty was removed. Indeed, the Bank's monetary policy reports in 2016-17 attributed some of the weakness we saw in non-energy capital spending to the uncertainties surrounding Trump's trade policies in his first term (Chart).

More broadly, a Trump victory will increase the likely volatility in currencies, interest rates, and asset prices. To take one example, the modest range we've forecast for the Canadian dollar exchange rate in 2025 would prove to be too narrow should Trump take the White House. Corporates with FX exposures should be thinking proactively about doing more hedging than they might otherwise be considering. The Canadian dollar could overshoot our projections to the weak side on a Trump victory, on the fear of trade barriers and a greater Canada-US interest rate differential. But then we could unwind that quickly if Canada manages to preserve the essence of tariff-free access, and if Congress prevents a huge jump in US fiscal deficits. Broaden that same story to bond yields, various equities and other assets, and fund managers, CFOs and chief economists will have their work cut out for them on the morning after a Trump election win.

Chart: Canadian manufacturing capital spending hit by 2016-17 trade uncertainties



Source: Haver, CIBC

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, November 4	10:30 AM	Release: Market Participants Survey	-	-	-	-	-
Tuesday, November 5	-	AUCTION: 3-M BILLS \$13.4B, 6-M BILLS \$4.8B, 1-YR - BILLS \$4.8B	-	-	-	-	-
Tuesday, November 5	8:30 AM	MERCHANDISE TRADE BALANCE	(Sep)	(H)	-\$0.5B	-	-\$1.1B
Tuesday, November 5	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Wednesday, November 6	10:00 AM	IVEY PMI	(Oct)	(L)	-	-	53.1
Wednesday, November 6	12:40 PM	Speaker: Carolyn Rogers (Sr. Deputy Gov.)	-	-	-	-	-
Thursday, November 7	-	-	-	-	-	-	-
Friday, November 8	8:30 AM	EMPLOYMENT CHANGE	(Oct)	(H)	25.0K	39.0K	46.7K
Friday, November 8	8:30 AM	UNEMPLOYMENT RATE	(Oct)	(H)	6.6%	6.5%	6.5%
Friday, November 8	6:10 PM	Speaker: Toni Gravelle (Deputy Gov.)	-	-	-	-	-

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, November 4	-	AUCTION: 3-YR TREASURIES \$58B	-	-	-	-	-
Monday, November 4	10:00 AM	FACTORY ORDERS M/M	(Sep)	(M)	-0.5%	-0.4%	-0.2%
Monday, November 4	10:00 AM	DURABLE GOODS ORDERS M/M	(Sep)	(H)	-0.8%	-	-0.8%
Monday, November 4	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Sep)	(H)	0.4%	-	0.4%
Tuesday, November 5	-	AUCTION: 10-YR TREASURIES \$42B	-	-	-	-	-
Tuesday, November 5	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Sep)	(H)	-\$73.0B	-\$74.5B	-\$70.4B
Tuesday, November 5	10:00 AM	ISM - SERVICES	(Oct)	(M)	-	53.5	54.9
Tuesday, November 5	-	US Presidential Election	-	-	-	-	-
Wednesday, November 6	-	AUCTION: 30-YR TREASURIES \$25B	-	-	-	-	-
Wednesday, November 6	7:00 AM	MBA-APPLICATIONS	(Nov 1)	(L)	-	-	-0.1%
Wednesday, November 6	9:45 AM	S&P GLOBAL US SERVICES PMI	(Oct)	(L)	-	55.3	55.3
Wednesday, November 6	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Oct)	(L)	-	-	54.3
Thursday, November 7	8:30 AM	INITIAL CLAIMS	(Nov 2)	(M)	-	-	216K
Thursday, November 7	8:30 AM	CONTINUING CLAIMS	(Oct 26)	(L)	-	-	1862K
Thursday, November 7	8:30 AM	NON-FARM PRODUCTIVITY	(3Q P)	(M)	2.3%	2.3%	2.5%
Thursday, November 7	10:00 AM	WHOLESALE INVENTORIES M/M	(Sep)	(L)	-	-	-
Thursday, November 7	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Nov 7)	(H)	4.75%	4.75%	5.00%
Thursday, November 7	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Nov 7)	(H)	4.50%	4.50%	4.75%
Thursday, November 7	3:00 PM	CONSUMER CREDIT	(Sep)	(L)	-	\$14.5B	\$8.9B
Friday, November 8	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Nov P)	(H)	-	70.6	70.5
Friday, November 8	11:00 AM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, economic data will take a back seat to the election and a Fed rate decision. We're not going to attempt to call a Presidential vote outcome that will largely depend on who shows up to vote, given the huge demographic gaps in support for the two candidates. A Trump victory would entail a weaker Canadian dollar, and at least initially a steeper yield curve as markets priced in larger US budget deficits that would spill over into longer term Canadian rates, while a Harris win might undo some of what we've been seeing in that direction. Odds point to the Democrats taking the House and a GOP majority in the Senate, so this will still be a divided government. The Fed might also be a bit divided on where to from here, but a quarter point rate cut is likely to be the consensus decision. Inflation is tame enough to make that a less risky decision than an early pause. Forward guidance could become a bit more guarded, as a noisy payrolls report, and uncertainties over economic policy, make the path ahead less clear, particularly if we're still counting ballots when they meet.

In **Canada**, investors will be paying as much attention to the US election as Americans, given the focus on trade policy stateside. If, that is, we actually get the results next week. On the data front, we see sluggish growth in Q3 as consistent with a lacklustre October jobs count that would send the unemployment rate back to its earlier 6.6% peak.

Week Ahead’s key Canadian number: Labour force survey—October

(Friday, 8:30 am)

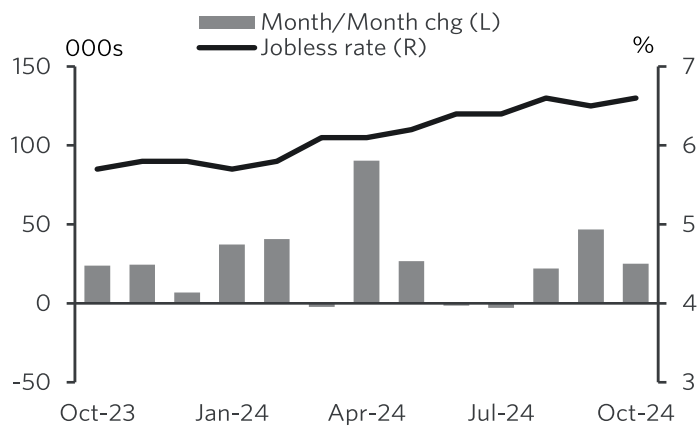
Andrew Grantham andrew.grantham@cibc.com

Variable	CIBC	Mkt	Prior
Employment (m/m)	25.0K	39.0K	46.7K
Unemployment rate	6.6%	6.5%	6.5%

Employment growth accelerated in September, although that was partly the result of seasonally adjusted data showing a “gain” of 33K in the 15-24 age group during a time when students typically leave summer jobs to return to their studies. October data should see less distortion from this area, and we expect a deceleration to 25K which would be close to the 6-month average trend.

While quarterly population figures suggest a slight slowing, the LFS data tend to lag and are still expected to show a further solid increase in the base population. Because of that, and with the possibility of participation rebounding following last month’s surprise decline, the jobless rate is expected to edge back up to 6.6%.

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — We expect that job gains will continue to fall short of population growth through to the end of this year, resulting in a further modest rise in the unemployment rate. A deceleration in population growth, combined with an economic pick up as the impact of lower interest rates takes hold, should see the jobless rate fall slowly next year and into 2026.

Other Canadian releases: Merchandise trade balance—September

(Tuesday, 8:30 am)

Canada’s trade deficit should have narrowed modestly in September, on the back of higher oil prices and volumes as well as the easing of a rail dispute that could have temporarily derailed trade to the US in August. We forecast a deficit of \$0.5bn, roughly half the \$1.1bn shortfall of the prior month.

There are no major US data releases next week.

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](#)

economics.cibccm.com

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