Economics

THE WEEK AHEAD

November 9 - 13, 2026

The AI build out: The tortoise and the hare

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

In the classic children's tale, the slow but steady tortoise ends up winning the race against a quick footed, but overconfident hare. For various reasons, the moral of that story, that a faster start is not always better, might hold lessons for those involved in the race to build out the infrastructure needed to bring AI to full fruition.

Markets have been making an argument against both extremes. Equity sell-offs of shares in the AI space have been triggered in some cases by fears that the rapid run-up in capital spending, and the related issuance of debt and equity, would overly dilute earnings for established firms, keep newer players in the red, and even imperil debt servicing. The hare could run out of financial market fuel before the finish line. There's a related concern that in the race to be the first, the aggregate level of spending by all the players could exceed the returns available.

Some in the industry have advocated for regulatory restrictions that would "pace" the roll out of new models as a safety measure, lest we unleash dangerous agents on the world. Investor returns could end up benefiting if slowing down the hare when it comes to new product launches reduces the financial risks associated with those that do more harm than good.

True, at other times, the concerns have been seen when the revenue numbers aren't growing fast enough. Suppliers of chips and computing power have been punished when the growth rate for their sales to AI players don't measure up to ultra-lofty expectations. The post-election sell-off in the space was tied to chatter that Democratic victories, including in state capitals, could heighten a not-in-my-backyard resistance that would slow approvals for data centres and their power sources.

Such a slowdown would take some of the wind out of US economic growth. Data from the first three quarters of the year suggested that even after netting out imports, AI capital spending could account for nearly a third of the economy's gains this year. Remember, however, that the Fed is now tapping the brakes to cool inflationary pressures, so a more moderate pace of AI cap-ex could just substitute for a slowing we would see with a more extensive run of rate hikes. AI spending is fueling some of the inflation that the Fed is taking aim at, by bidding up market prices for memory chips, trucking rates, and in some areas, electricity prices.

Moreover, AI debt issuance, along with government deficits, has bid up bond yields and thereby crowded out other capital spending in the economy. Aside from data centres and power plants, real construction spending is down year to date in virtually all categories. So a pared back economic contribution from AI capital spending could be partially offset by a reduced drag on housing and other business investment spending.

Some argue that America can't afford to fall behind China in the race to be first out with the best models. But even in the US, when one AI lab comes out with a version that is touted as the best and scoops up market share, that advantage seems to last only a few months. LLMs don't seem to be the kind of technology that can't essentially be mimicked or surpassed by an up-and-comer.

In the tech world, once a sector reaches a mature phase, you often see entrenched players that gain a foothold that is difficult to overcome for later entrants. Witness the long lived dominance of firms like Microsoft, Google, and, to a lesser extent, Apple and Samsung in cell phones. But those at the top of the heap in the early stages of these technologies did not gain a sustained edge, as Excel surpassed Lotus 123 and VisiCalc in spreadsheets, cell phone leaders like Blackberry and Nokia faded out, as did search tools like Yahoo and Altavista. If that's the way AI plays out, even if the US built out its AI platforms at a more measured pace than China, there would be time to catch up.

True, the overall impact of recent concerns over how quickly AI data centres and power plants can be delivered has been to take the steam out of equity markets. In the here and now, investors seem to prefer the hare over the tortoise. But even in that fable, the hare did get off to a faster start, and held the lead. How AI contributes to investor returns, and to the broader economy, won't be visible until we get closer to the finish line. For the reasons outlined above, stakeholders across the economy might end up being better off with a slower paced approach, even if that's an inadvertent result of a political swing that holds back the industry in the near term.

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 9	-	AUCTION: 10-YR CANADAS $5B	-	-	-	-	-
Monday, November 9	10:30 AM	Release: Market Participants Survey	-	-	-	-	-
Tuesday, November 10	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Wednesday, November 11	-	Bond Market Closed (Remembrance Day)	-	-	-	-	-
Thursday, November 12	-	AUCTION: 2-YR CANADAS $5.5B	-	-	-	-	-
Thursday, November 12	8:30 AM	BUILDING PERMITS M/M	(Sep)	(M)	-	-	8.8%
Friday, November 13	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Sep)	(M)	-0.3%	0.1%	1.5%
Friday, November 13	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Sep)	(M)	0.3%	-	-1.6%

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 9	-	AUCTION: 3-YR TREASURIES $58B	-	-	-	-	-
Monday, November 9	10:00 AM	WHOLESALE INVENTORIES M/M	(Sep)	(L)	-	0.6%	0.6%
Monday, November 9	8:40 AM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Monday, November 9	10:00 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Monday, November 9	12:15 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Tuesday, November 10	-	AUCTION: 10-YR TREASURIES $42B	-	-	-	-	-
Tuesday, November 10	8:30 AM	CPI M/M	(Oct)	(H)	0.3%	0.3%	0.6%
Tuesday, November 10	8:30 AM	CPI M/M (core)	(Oct)	(H)	0.3%	0.2%	0.3%
Tuesday, November 10	4:00 AM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Tuesday, November 10	1:30 PM	Speaker: Jeffrey R. Schmid (Kansas City) (Non-Voter)	-	-	-	-	-
Tuesday, November 10	3:30 PM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Tuesday, November 10	6:30 PM	Speaker: Anna Paulson (Philadelphia) (Voter) & Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Wednesday, November 11	-	Bond Markets Closed (Veterans Day)	-	-	-	-	-
Wednesday, November 11	7:00 AM	MBA-APPLICATIONS	(Nov 6)	(L)	-	-	-1.2%
Thursday, November 12	-	AUCTION: 30-YR TREASURIES $25B	-	-	-	-	-
Thursday, November 12	8:30 AM	INITIAL CLAIMS	(Nov 7)	(M)	-	195K	189K
Thursday, November 12	8:30 AM	CONTINUING CLAIMS	(Oct 31)	(L)	-	-	1718K
Thursday, November 12	10:00 AM	EXISTING HOME SALES SAAR	(Oct)	(M)	-	3.9M	4M
Thursday, November 12	10:00 AM	EXISTING HOME SALES M/M	(Oct)	(M)	-	-3.3%	1.5%
Thursday, November 12	2:00 PM	FEDERAL BUDGET BALANCE	(Oct)	(L)	-	-	-$26.9B
Thursday, November 12	9:00 AM	Speaker: Beth M. Hammack (Cleveland) (Voter)	-	-	-	-	-
Thursday, November 12	10:00 AM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Thursday, November 12	11:30 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Thursday, November 12	1:10 PM	Speaker: Mary C. Daly (San Francisco) (Non-Voter)	-	-	-	-	-
Thursday, November 12	6:30 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Thursday, November 12	1:10 PM	Speaker: Mary C. Daly (San Francisco) (Non-Voter)	-	-	-	-	-
Friday, November 13	8:30 AM	PPI M/M	(Oct)	(M)	0.5%	0.4%	1.3%
Friday, November 13	8:30 AM	PPI M/M (core)	(Oct)	(M)	0.4%	0.3%	0.7%
Friday, November 13	8:30 AM	PPI Y/Y	(Oct)	(M)	-	6.6%	6.3%
Friday, November 13	8:30 AM	PPI Y/Y (core)	(Oct)	(M)	-	5.0%	5.0%
Friday, November 13	10:50 AM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Friday, November 13	12:00 PM	Speaker: Mary C. Daly (San Francisco) (Non-Voter)	-	-	-	-	-
Friday, November 13	7:00 PM	Speaker: Philip N. Jefferson (Governor) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, we'll of course be keeping an eye on the choppy equity market, which has spillover impacts into interest rate expectations and Treasury yields. While wealth effects can matter for growth and inflation, we don't see the recent equity slide as material enough to impact the Fed's December decision. On that front, we're expecting core CPI to print another 0.3% gain, a tick higher than consensus, helping to cement the case for another Fed hike next month. Several Fed speakers, including some who voted for a pause this month, are likely to keep the door open for another tightening ahead, particularly with the job market continuing to hold up extremely well.

In **Canada**, after a news-packed week, traders won't have much to chew on in terms of economic developments, leaving time on Wednesday to step away from their desks to remember those who served their country on the battlefront. Manufacturing looks likely to have slipped a bit in September, and upcoming months will show some headwinds from US tariff increases in August. The Bank of Canada's summary of deliberations has to sound hawkish for a meeting that ended up with a decision to raise rates, but the Bank might edit that in a way that leaves the door open for either a hike or a pause in December.

There are no major Canadian data releases next week.

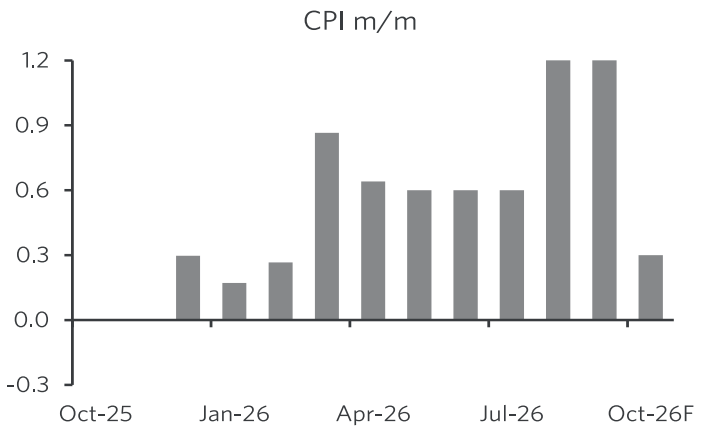
Week Ahead's key US number: Consumer price index—October

(Tuesday, 8:30 am)

Helen Lao helen.lao@cibc.com

Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.3	0.3	0.6
Core CPI (m/m)	0.3	0.2	0.3

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

CPI likely rose at a more modest pace in October as gasoline prices were largely unchanged from the previous month. We expect total CPI to increase by 0.3% m/m in October, decelerating from 0.6% in September. The deceleration is substantially driven by gasoline price stability, in contrast to September's robust 9.1% monthly increase, gasoline prices remained largely flat in October, which reduced the upward pressure on the headline index.

Core CPI is expected to hold steady at 0.3% month-over-month, mirroring recent trends, as energy-related pressures continue to influence core measures, indicating that underlying inflation momentum remains intact despite headline softening. Core goods prices have accelerated over the past two months with prices of imported goods such as recreation commodities and computers increasing.

On the services side, elevated oil prices should continue to keep transportation services growing at a steady pace. Some streaming platforms have increased prices in the month which could continue to put upward pressure on recreation services. No year-over-year CPI data will be available for October due to the October 2025 government shutdown.

Forecast implications — While the monthly pace of total CPI inflation is expected to decelerate due to gasoline, it will be the pace of core CPI that most FOMC members will pay close attention to. Since the October decision, three FOMC members have suggested additional hikes could be needed ahead, pointing to a December hike as we expect. We believe a continued pace of 0.3% m/m on core CPI will show a lack of progress on inflation which will convince most members to vote for a hike in December.

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