Economics

THE WEEK AHEAD

August 25 - 29, 2025

A lot of uncertainty? Not in the US market's eyes

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

Just about every year, clients tells us that our job must be hard, since, as they say, "there's a lot of uncertainty out there." Truth be told, we can't ever recall a time when investors said that there was a lot of certainty. Of course, this year, there's a story line that suggests that there is indeed a wider range of potential outcomes than in a typical year.

A recent Wall Street Journal poll of economists still showed them placing a one-in-three chance of a recession in the next 12 months, which while lower than three months prior, would still be about triple the odds in any random year. But markets are behaving as if the US outlook was, if anything, less in doubt than in the past.

That's surprising given the pace of change that has marked the past half year or so. We haven't seen the likes of this year's swing in US tariff policy since the Great Depression, and that's alongside major policy changes in everything from immigration to the environment, and an AI capital spending boom that's without precedent for a single sector.

But when we look across a range of asset classes, investors seem to be collectively on the same page, and not particularly in much doubt. Take equities, for example. Not only have they performed fairly well, but the VIX ratio is relatively low by historical standards, indicative of investors' views that major swings aren't that likely.

Sometimes, fixed income markets, whose participants are more weighted to pensions, insurers and central banks, can be expressing a different view, but not this time. Looking at 10-year yields, US dollar corporate bond spreads are quite tight, pointing to limited concerns over defaults tied to economic pressures ahead. Stagflation? While most are anticipating some upward price pressures in the near term, US 5-year breakeven inflation rates in the TIPS market are reasonably in check, sitting near 2½%.

The front end of the curve is also consistent with a benign view on the outlook for both growth and inflation. Futures are priced for a gradual reduction in the fed funds rate ahead, but not dipping below 3%. That would put rates not far from neutral territory, the kind of easing cycle one sees in a soft landing rather than anything worse. But it's also the kind of easing that requires the market to believe that any inflation threat from tariffs will be short-lived.

Is there wisdom in crowds in this case? To some extent, because the economy depends on what Keynes called "animal spirits," a lack of worry can be a self-fulfilling prophecy. Investor confidence can matter, because it's lowering the cost of equity capital and backing all that AI spending.

Unlike those driving financial markets, consumers don't seem as confident when responding to surveys. But actions speak louder than words, and the last few months have seen solid gains in retail sales that suggest that they are still comfortable with their own financial position. Or, to some extent, perhaps there are enough Americans in the upper end of the income scale who are benefiting from wealth gains tied to those less-nervous financial market views, and are on a spending spree because of that.

On our part, we aren't far off the market in terms of expecting the US economy to move past near-term threats to growth and inflation, with our base case forecast essentially in line with a soft landing outcome in 2026. But we'd put a higher degree of risk around that central view than markets seem to be placing at present. Our models have given us a degree of comfort over the tariff hit to inflation and growth, but they can't be based on parameters tied to past experience with tariffs, given that we haven't undertaken such an experiment in nearly a century. Their accuracy will be put to the real world test in the quarters ahead.

Those reasonable doubts are all the more the case for Canada's outlook, given our exposure to trade with the US, and the remaining uncertainties over the Canada-US-Mexico trade pact. All of that suggests that investors might still want to bet on a soft landing, but there might be value in options strategies that hedge against less favourable outcomes that the market seem to be underpricing.

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, August 25	-	-	-	-	-	-	-
Tuesday, August 26	-	AUCTION: 3-M BILLS $17.6B, 6-M BILLS $6.2B, 1-YR BILLS $6.2B	-	-	-	-	-
Tuesday, August 26	2:45PM	Speaker: BoC Governor Tiff Macklem	-	-	-	-	-
Wednesday, August 27	-	AUCTION: 10-YR CANADAS $5.25B	-	-	-	-	-
Thursday, August 28	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Thursday, August 28	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Jun)	-	-	-	15.3K
Thursday, August 28	8:30 AM	CURRENT ACCOUNT BAL.	(2Q)	(M)	-$21.0B	-18.73B	-$2.1B
Friday, August 29	8:30 AM	GDP M/M	(Jun)	(H)	0.1%	0.2%	-0.1%
Friday, August 29	8:30 AM	GDP ANNUALIZED	(2Q)	(H)	-0.8%	-0.3%	2.2%

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, August 25	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Jul)	(M)	-	-	-0.1
Monday, August 25	10:00 AM	NEW HOME SALES SAAR	(Jul)	(M)	620K	628K	627K
Monday, August 25	10:00 AM	NEW HOME SALES M/M	(Jul)	(M)	-1.0%	0.2%	0.6%
Monday, August 25	3:15PM	Speaker: Logan (Dallas) (non-voter)	-	-	-	-	-
Monday, August 25	7:15PM	Speaker: Williams (Vice Chair, New York) (voter)	-	-	-	-	-
Tuesday, August 26	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Tuesday, August 26	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Aug)	(M)	-	-	-10.3
Tuesday, August 26	8:30 AM	DURABLE GOODS ORDERS M/M	(Jul P)	(H)	-2.0%	-4.0%	-9.4%
Tuesday, August 26	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Jul P)	(H)	0.2%	0.2%	0.2%
Tuesday, August 26	9:00 AM	HOUSE PRICE INDEX M/M	(Jun)	(M)	-	-	-0.2%
Tuesday, August 26	9:00 AM	S&P CORELOGIC CS Y/Y	(Jun)	(H)	-	-	2.8%
Tuesday, August 26	10:00 AM	RICHMOND FED MANUF. INDEX	(Aug)	(M)	-	-	-20
Tuesday, August 26	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Aug)	(H)	97.5	96.4	97.2
Tuesday, August 26	-	Speaker: Thomas I. Barkin (Richmond) (non-voter)	-	-	-	-	-
Wednesday, August 27	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Wednesday, August 27	-	AUCTION: 2-YR FRN $28B	-	-	-	-	-
Wednesday, August 27	7:00 AM	MBA-APPLICATIONS	(Aug 22)	(L)	-	-	-1.4%
Wednesday, August 27	-	Speaker: Thomas I. Barkin (Richmond) (non-voter)	-	-	-	-	-
Thursday, August 28	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Thursday, August 28	8:30 AM	INITIAL CLAIMS	(Aug 23)	(M)	-	-	235K
Thursday, August 28	8:30 AM	CONTINUING CLAIMS	(Aug 16)	(L)	-	-	1972K
Thursday, August 28	8:30 AM	GDP (annualized)	(2Q S)	(H)	3.1%	3.1%	3.0%
Thursday, August 28	8:30 AM	GDP DEFLATOR (annualized)	(2Q S)	(H)	-	2.0%	2.0%
Thursday, August 28	10:00 AM	PENDING HOME SALES M/M	(Jul)	(M)	-	0.2%	-0.8%
Thursday, August 28	6:00 PM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Friday, August 29	8:30 AM	PCE DEFLATOR Y/Y	(Jul)	(H)	2.6%	2.6%	2.6%
Friday, August 29	8:30 AM	PCE DEFLATOR Y/Y (core)	(Jul)	(H)	2.9%	2.9%	2.8%
Friday, August 29	8:30 AM	PERSONAL INCOME M/M	(Jul)	(H)	0.5%	0.5%	0.3%
Friday, August 29	8:30 AM	PERSONAL SPENDING M/M	(Jul)	(H)	0.4%	0.5%	0.3%
Friday, August 29	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Jul)	(M)	-$84.0B	-87.7B	-$86.0B
Friday, August 29	8:30 AM	WHOLESALE INVENTORIES M/M	(Jul P)	(L)	-	-	0.1%
Friday, August 29	8:30 AM	RETAIL INVENTORIES M/M	(Jul)	(H)	-	-	0.3%
Friday, August 29	9:45 AM	CHICAGO PMI	(Aug)	(M)	-	45.2	47.1
Friday, August 29	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Aug)	(H)	-	58.6	58.6

Week Ahead's market call

by Avery Shenfeld

In the **US**, core PCE prices are likely to show a 0.3% monthly climb, while the same report should show a decent climb in personal incomes. If it weren't for all the politics, that would be another reminder than inflation is still running above the Fed's target and not exactly crying out for a rate cut in September. Among the Fed speakers with a vote next month, we'd keep an eye on Vice Chair Williams, as Waller is already a known dove. Lots of other second tier indicators are due, but none of them seem likely to be market movers.

In **Canada**, we see Q2 GDP coming in a bit better than the Bank of Canada's last projection, but with a larger dip than the consensus or what the monthly GDP series has been tracking. Quarterly and monthly GDP reports often show a divergence, and the BoC's economists have a reasonably good track record in anticipating the direction of that gap. Less widely watched, but still of interest, will be the payrolls report (SEPH), which has been showing more weakness, and a broader mix of industries with employment softness, than the more timely LFS (household survey) data.

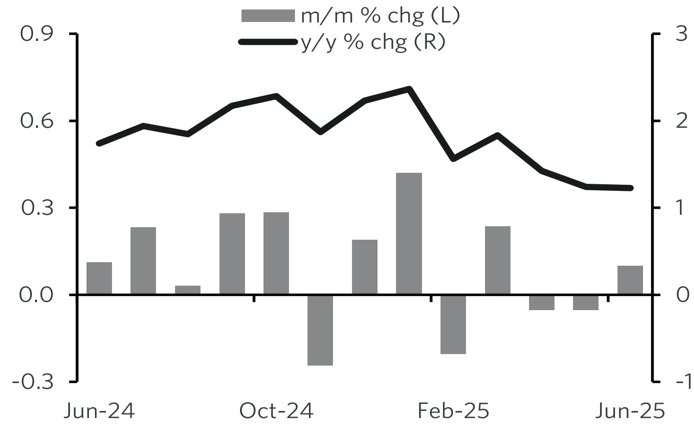
Week Ahead's key Canadian number: GDP—June and Q2

(Friday, 8:30 am)

Andrew Grantham andrew.grantham@cibc.com

Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.1	0.2	-0.1
GDP Q2 (annualized)	-0.8	-0.3	2.2

Chart: Canadian real GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

The Canadian economy likely contracted modestly in Q2, with exports slumping due to US tariffs and following the front-running activity that bolstered trade in the first quarter of the year. However, final domestic demand may have returned to growth following a flat reading in the first quarter, probably led by government spending related to the April Federal election and wildfire-fighting efforts that started early in the season. Business investment will be flattered by a large one-off purchase in the oil sector that showed up in June's trade data, although because this was an imported purchase the net impact on GDP will be close to zero.

While the quarter as a whole will likely be negative, it is expected to have finished on a slightly firmer footing. Recent gains in retail sales, as well as an improvement in home sales and building, suggest that June and the advance estimate for July will see modest increases in GDP.

Forecast implications — The contraction in GDP during Q2 may not be quite as bad as forecast by the Bank of Canada (-1.5% SAAR) in its latest MPR, but it would still be consistent with slack building up in the economy. That, combined with recent tamer readings for Canadian inflation recently, should provide policymakers enough comfort to restart interest rate cuts at the September meeting.

Other Canadian releases: Current account balance—Q2

(Thursday, 8:30 am)

After narrowing in Q1 thanks to a surge in goods exports linked to tariff front-running, the current account deficit likely widened substantially in Q2 to $21bn. Goods exports slumped thanks to the start of US tariffs, particularly in areas such as steel, aluminum, and autos. Even with fewer Canadians travelling to the US, the services deficit appears to have deteriorated slightly as well.

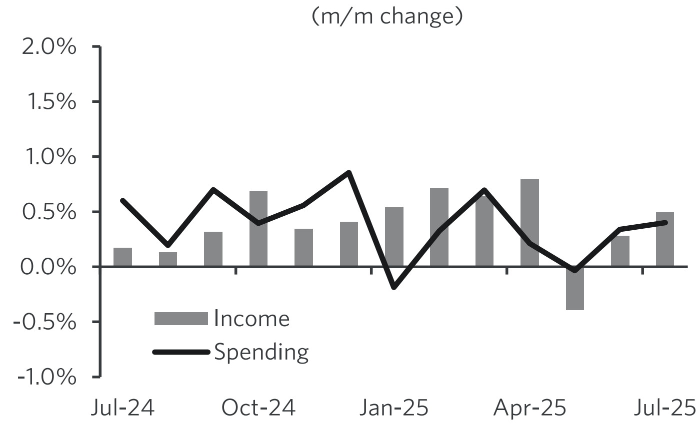
Week Ahead's key US number: Personal income & outlays—July

(Friday, 8:30 am)

Ali Jaffery ali.jaffery@cibc.com

Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.5	0.5	0.3
Personal spending (m/m)	0.4	0.5	0.3
Core PCE price index (y/y)	2.9	2.9	2.8

Chart: US personal income and spending



Source: BEA, Haver Analytics, CIBC

The July personal income and spending report will be the highlight of the week ahead's data calendar. Price pressures will pick up, with the core PCE price index coming in at 0.3% m/m (0.28% m/m). In annual terms, core PCE will edge up to 2.9% and the three-month annualized change should be close to that number as well. Consumption growth in inflation-adjusted terms should look solid at 0.2% and personal income growth, based on the payroll data, will be strong with a 0.5% gain. That will result in the saving rate moving up one tick to 4.4%. The overall theme of the report will be a clear firming of inflation but a consumer still enjoying solid income gains and spending at a healthy pace.

Forecast implications — While the market is convinced of a September Fed cut, that's as much based on politics as economics. The Fed could very well be sufficiently forward-looking and judge policy is a little too restrictive for where the economy might be headed, but that would come with the risk that inflation could heat up even further.

Market implications — Our views are aligned with the consensus, and the market view is unlikely to change on the Fed on this data unless core PCE surprises to the upside.

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