

Economics

THE WEEK AHEAD

December 16 - 20, 2024

Everybody, (Donald's Back Alright)

by Avery Shenfeld avery.shenfeld@cibc.com

Sung to Backstreet Boy's Everybody, extended version

https://www.youtube.com/watch?v=FkQKcl_E3JM lyrics start after 1:20

Everybody, yeah,
Grand Old Party, yeah
Everybody, yeah
Rock your body, right
Donald's back, alright

Hey, yeah, now
Oh my God, he's back again
Winning states with the votes of men
Gonna bring down taxes, show you how
Gonna slam on tariffs better import now, yeah

Am I original, yeah
Am I the Elon's one, yeah
Am I effectual, yeah
We've got everyone we need
I'm gonna shut the border now

Everybody, yeah
Talk to Donny, yeah
Every lobby, yeah
Palm Beach party, right
Donald's there, on site
On site

Now throw your hands up in the air
Cut the regs like I just don't care
If you're drilling oil let me hear you yell
Cuz we'll get it growin' on again
Yeah, yeah...

Am I transactional? (Yeah)
Am I a Trudeau fan? (meh)
Am I flexible? (Yeah)
If you want it tariff free
You better come and see me now

Will the budget, yeah
Sock the bond yield?, naw
Or will Elon,
Save us money, right
Cuts are back, alright (Alright)

INSTRUMENTAL BREAK

So Jan 6th-ers, everywhere
Don't be afraid, don't have no fear
I'm gonna issue pardons, make them understand
You'll never face the music, 'cause I'm comin' back again

Everybody, yeah
Grand Old Party, yeah
Everybody
Stocks are rising right (Rock your body right)
Donald's back
Everybody now
Rock that market now
Everybody now
Rock that market right
Donald's back, all right
All right!
Donald's back all right

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 16	8:15 AM	HOUSING STARTS SAAR	(Nov)	(M)	244.0K	-	240.8K
Monday, December 16	9:00 AM	EXISTING HOME SALES M/M	(Nov)	(M)	-	-	7.7%
Monday, December 16	3:35 PM	Speaker: Tiff Macklem (Governor)	-	-	-	-	-
Monday, December 16	-	Fall Economic Statement	-	-	-	-	-
Tuesday, December 17	-	AUCTION: 3-M BILLS \$12.8B, 6-M BILLS \$4.6B, 1-YR - BILLS \$4.6B	-	-	-	-	-
Tuesday, December 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(Oct)	(M)	-	-	\$29.3B
Tuesday, December 17	8:30 AM	CPI M/M	(Nov)	(H)	0.2%	0.0%	0.4%
Tuesday, December 17	8:30 AM	CPI Y/Y	(Nov)	(H)	2.1%	1.9%	2.0%
Tuesday, December 17	8:30 AM	Consumer Price Index	(Nov)	(M)	-	161.9	161.8
Tuesday, December 17	8:30 AM	CPI Core- Median Y/Y%	(Nov)	(M)	2.6%	2.4%	2.5%
Tuesday, December 17	8:30 AM	CPI Core- Trim Y/Y%	(Nov)	(M)	2.5%	2.5%	2.6%
Wednesday, December 18	-	-	-	-	-	-	-
Thursday, December 19	-	AUCTION: 5-YR CANADAS \$5B	-	-	-	-	-
Thursday, December 19	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Oct)	-	-	-	-57.4K
Friday, December 20	8:30 AM	RETAIL TRADE TOTAL M/M	(Oct)	(H)	0.7%	0.7%	0.4%
Friday, December 20	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Oct)	(H)	-	0.5%	0.9%

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 16	8:30 AM	NEW YORK FED (EMPIRE)	(Dec)	(M)	-	6.6	31.2
Monday, December 16	9:45 AM	S&P GLOBAL US SERVICES PMI	(Dec P)	(L)	-	-	56.1
Monday, December 16	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Dec P)	(L)	-	-	54.9
Monday, December 16	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Dec P)	(L)	-	-	49.7
Tuesday, December 17	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Tuesday, December 17	8:30 AM	RETAIL SALES M/M	(Nov)	(H)	0.4%	0.5%	0.4%
Tuesday, December 17	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Nov)	(H)	0.3%	0.4%	0.1%
Tuesday, December 17	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Nov)	(H)	0.3%	0.4%	-0.1%
Tuesday, December 17	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Nov)	(H)	0.3%	0.2%	-0.3%
Tuesday, December 17	9:15 AM	CAPACITY UTILIZATION	(Nov)	(M)	77.4%	77.3%	77.1%
Tuesday, December 17	10:00 AM	BUSINESS INVENTORIES M/M	(Oct)	(L)	-	0.2%	0.1%
Tuesday, December 17	10:00 AM	NAHB HOUSING INDEX	(Dec)	(L)	-	47.0	46.0
Wednesday, December 18	7:00 AM	MBA-APPLICATIONS	(Dec 13)	(L)	-	-	5.4%
Wednesday, December 18	8:30 AM	BUILDING PERMITS SAAR	(Nov)	(H)	1450K	1430K	1416K
Wednesday, December 18	8:30 AM	CURRENT ACCOUNT BALANCE	(3Q)	(L)	-	-\$287.1B	-\$266.8B
Wednesday, December 18	8:30 AM	HOUSING STARTS SAAR	(Nov)	(M)	1380K	1345K	1311K
Wednesday, December 18	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Dec 18)	(H)	4.50%	4.50%	4.75%
Wednesday, December 18	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Dec 18)	(H)	4.25%	4.25%	4.50%
Thursday, December 19	-	AUCTION: 5-YR TIPS \$22B	-	-	-	-	-
Thursday, December 19	8:30 AM	INITIAL CLAIMS	(Dec 14)	(M)	-	-	-
Thursday, December 19	8:30 AM	CONTINUING CLAIMS	(Dec 7)	(L)	-	-	-
Thursday, December 19	8:30 AM	GDP (annualized)	(3Q T)	(H)	2.8%	2.8%	2.8%
Thursday, December 19	8:30 AM	GDP DEFLATOR (annualized)	(3Q T)	(H)	1.9%	1.9%	1.9%
Thursday, December 19	10:00 AM	LEADING INDICATORS M/M	(Nov)	(M)	-	-0.1%	-0.4%
Thursday, December 19	10:00 AM	EXISTING HOME SALES SAAR	(Nov)	(M)	-	4.1M	4.0M
Thursday, December 19	10:00 AM	EXISTING HOME SALES M/M	(Nov)	(M)	-	3.4%	3.4%
Thursday, December 19	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Oct)	(L)	-	-	216.1B
Friday, December 20	8:30 AM	PCE DEFLATOR Y/Y	(Nov)	(H)	2.6%	2.5%	2.3%
Friday, December 20	8:30 AM	PCE DEFLATOR Y/Y (core)	(Nov)	(H)	2.9%	2.9%	2.8%
Friday, December 20	8:30 AM	PERSONAL INCOME M/M	(Nov)	(H)	0.6%	0.4%	0.6%
Friday, December 20	8:30 AM	PERSONAL SPENDING M/M	(Nov)	(H)	0.5%	0.5%	0.4%
Friday, December 20	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Dec)	(H)	-	74.0	74.0

Week Ahead's market call

by Avery Shenfeld

In the **US**, the Fed will plow ahead with another quarter point cut, but will provide only fuzzy forward guidance about what comes next. Unlike the Bank of Canada, that's not because they've done a lot of cutting already, but because they're a bit less certain about the last mile towards 2% PCE inflation, and not so sure that the economy needs a lot of relief. There is a risk that median forecast for core PCE and the fed funds rate move up slightly for 2025. Post-meeting, we could see an encouragingly mild 0.2% monthly core PCE price index, and unlike the worriers, we still see easing shelter inflation ahead that should get the Fed close enough to target to ease towards a mid-3% fed funds range. But bumps on the inflation path would raise odds for a pause or two on that road. Retail sales, likely a bit lacklustre in the ex-auto measure, and housing starts, running at a sub-par trend, round out the major data releases.

In **Canada**, the federal fiscal update will likely reveal an overshoot of this year's deficit target, and while that will garner headlines and political chatter, it's not our focus. An extra \$10 bn, for example, would only add about 0.3% to the deficit/GDP ratio, which will be cushioned by an upward revision to the level of GDP this year due to prior year revisions. That would still leave Canada's combined federal/provincial deficit miles below the US and most other major economies. The economic lift from this year's spending and revenue path has already been largely captured in the existing path for GDP, so it doesn't mean much for Bank of Canada decisions ahead, even if it also sets a higher base for next year's deficit.

Our eyes will instead be on any announcements of additional fiscal stimulus beyond the modest one-time lifts from previously announced \$250 cheques and a short-lived partial GST holiday. If Ottawa abandons its fiscal handcuffs and tacks on timely (i.e. funds actually doled out soon, not over a decade), material (more than a couple of decimal places of GDP) and lasting net-stimulus (i.e. not shuffling money from one envelope to another) we and the market might have to recalibrate expectations for further Bank of Canada rate cuts. We can't be too sure if that's actually coming in this statement, or merely under consideration for next year's budget. Perhaps that same uncertainty was why Governor Macklem was so cagy about where he's going from here. That said, a front-end sell-off on reduced rate cut expectations due to fiscal measures could be short-lived, if we find ourselves facing a material shock from US tariffs in early 2025.

On the data front, CPI inflation could get a marginal lift from Swifties paying temporarily higher prices for hotels, air fares and tickets, while advance readings on retail sales suggest another healthy monthly gain.

Week Ahead's key Canadian number: Consumer price index—November

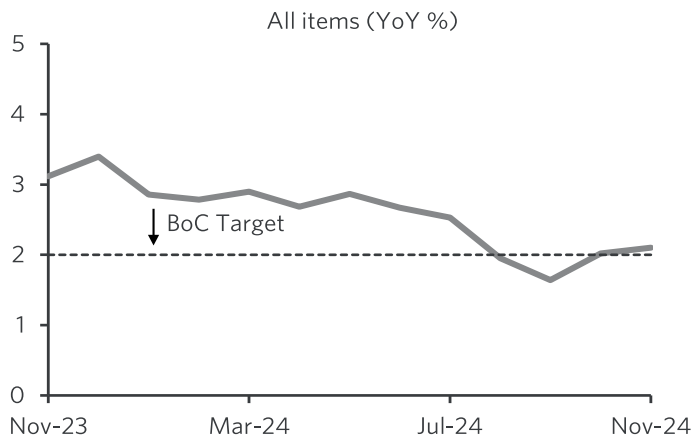
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.2	0.0	0.4
CPI (y/y)	2.1	1.9	2.0

Headline inflation may have ticked up slightly in November, with core price pressures temporarily looking stronger than their recent trend. Evidence from other countries suggests that Taylor Swift’s arrival in Canada likely drove stronger inflation in hotels, restaurants and air fares, and we have factored in a 0.3% seasonally adjusted increase in ex food/energy CPI as a result.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — While underlying price pressures may look a little hotter in November, we expect that to be driven largely by temporary pick-ups in areas such as airfares and hotels. As those price increases fade, and as the temporary GST holiday on certain goods begins, core inflationary pressures should look weaker in December.

Other Canadian releases: Retail sales—October

(Friday, 8:30 am)

Retail sales, particularly in per-capita terms, have been sluggish for much of the past two years, but there have been signs recently that lower interest rates are helping support a rebound in spending on goods. We expect a 0.7% increase in sales during October, which will likely look only slightly weaker in volume terms. With plenty of room for demand to rise and for households to reduce their rate of savings, look for a further modest rise in sales in the advance estimate of November as well.

Week Ahead’s key US number:
Personal income & outlays—November

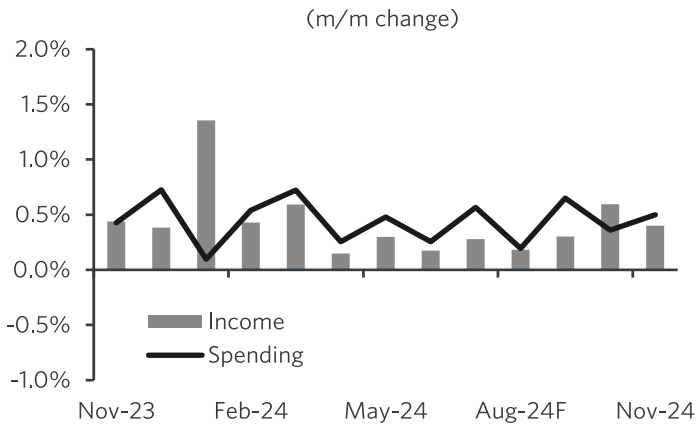
(Friday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.6	0.4	0.6
Personal spending (m/m)	0.5	0.5	0.4
Core PCE price index (y/y)	2.9	2.9	2.8

The core PCE numbers will be the most important US data next week. While the November CPI report came in a little hot, we expect core PCE inflation to be more tame at 0.2% m/m, in part because a softer PPI report that suggests medical and financial services prices will be cooler than reported in the CPI. The headline price index should come in at 0.2% due to a pickup in energy and food prices. In annual terms, headline and core PCE inflation will rise to 2.5% and 2.9% respectively. Nominal consumption growth is expected to register a 0.5% reading, and in inflation-adjusted terms, spending growth should come in at 0.2%. We expect personal income growth at 0.6%, due to the rebound in employment and steady underlying wage growth in the month. The saving rate will likely edge up two ticks to 4.6%.

Chart: US personal spending and income



Source: BEA, Haver Analytics, CIBC

Forecast implications — While the FOMC meeting comes before the PIO report, expectations of a softer core PCE print along with the cooling trend in the labor market will make them comfortable with another 25bps cut.

Market implications — With most of the source data for this report already known for this report, and the market focus on the new Fed projection, don’t expect much action.

Other US Releases:
Retail sales—November

(Tuesday, 8:30 am)

We are forecasting a softer retail sales print based on some high-frequency credit card indicators pointing to a slower pace of spending growth. Headline retail sales should come in at 0.4% and the control group a tick lower.

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