

Economics

THE WEEK AHEAD

January 12 - 16, 2026

Patience for this patient

by Avery Shenfeld avery.shenfeld@cibc.com

Market participants have a tendency to believe that central bankers shouldn't just sit there, but do something. Perhaps that's why we saw markets quickly shift from pricing in further Bank of Canada rate cuts to putting some odds on a 2026 hike, joined by forecasts for such a move by some of our counterparts at other Canadian banks. But just sitting there, and doing nothing, isn't a rare decision for the BoC. In the years since the central bank moved to discrete rate setting dates, following an easing cycle, we've had several periods in which a stand-pat stance was maintained for more than a year, including at troughs reached in 2009, 2015 and 2020.

Recent data, showing a return to growth in Q3, may well have obviated the need for additional stimulus, assuming trade disruptions don't worsen. But as we enter 2026, Canada's economy is still in the recovery room, and this is a patient for whom patience on the part of its monetary policy caregiver is well warranted.

True, the Bank learned a lesson, as did the Fed, when inflation heated up after rates were left at their lows for too long after the recovery from Covid was underway. But relative to past easing cycles, this time around, rates haven't been cut to drastically low levels. That leaves much less danger of triggering excessive inflation by leaving them where they are until slack is clearly eliminated. By way of comparison, today's 2.25% policy rate is a half point above the peak rate achieved in the cycle that ended with the Covid recession. That recession took rates a full 200 bps lower than where we now sit, as did the recession after the global financial crisis.

Some question whether we are further into stimulative territory than the Bank's judgement, which is that we're only at the lower end of the neutral range. Economist's tools for assessing where the neutral rate stands in real time are imprecise, and generate widely dispersed estimates. But judging by what we're seeing in the most interest-sensitive sector of the economy, it's hard to argue that there's a lot of juice being delivered. While there are some regional differences, housing activity remains sluggish, and will likely be a drag on growth in the first half of 2026.

Similarly, there's a range of estimates of just how much disinflationary slack remains in the economy but most estimates see material elbow room for growth. The upward revisions to GDP growth rates over the past few years has the economy operating at a higher level than previously thought, but offsetting that, suggests that the trends for potential growth and productivity aren't as weak as previously assumed. Today's employment data also underscore that we've got work to do to eliminate the evident slack in the labour market. We'll be taking a deeper dive into that issue in upcoming research, so stay tuned.

Some of the underlying dynamics for inflation, also lean towards being patient in terms of any turn to higher policy rates. In December, we noted that fears of imported inflation due to shifting trade patterns were not panning out in the data, with import prices for core consumer goods remaining tame for reasons we highlighted. Oil prices have in the past been a trigger for broader inflation upswings in a tight economy, and these days, we're still seeing calm waters on that front, reflecting a favourable global supply-demand balance. On the domestic front, leading indicators for rent inflation point to a significant deceleration in that heavily weighted component of the CPI.

Fiscal policy also counts for where monetary policy ought to be, which we saw in the last cycle when the Fed waited too long to hike as both Trump and Biden stimulus packages kicked in. In Canada, the Federal budget will at some point lever additional growth in capital spending, but the lags inherent in such projects imply that won't come as quickly as we'd like.

If we're going to have to be patient to see a lift from a capital spending renaissance in Canada, we'll need monetary policy makers to be similarly patient in terms of timing any move to higher interest rates. That day will come, but at this point, we see that as a part of our year-ahead story for 2027.

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, January 12	-	-	-	-	-	-	-
Tuesday, January 13	-	AUCTION: 3-M BILLS \$11B, 6-M BILLS \$4B, 1-YR BILLS \$4B	-	-	-	-	-
Tuesday, January 13	8:30 AM	BUILDING PERMITS M/M	(Nov)	(M)	-	-	14.9%
Wednesday, January 14	-	AUCTION: 5-YR CANADAS \$5.3B	-	-	-	-	-
Thursday, January 15	8:30 AM	EXISTING HOME SALES M/M	(Dec)	(M)	-	-	-0.6%
Thursday, January 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Nov)	(M)	-1.0%	-1.1%	-1.0%
Thursday, January 15	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Nov)	(M)	0.0%	0.1%	0.1%
Friday, January 16	8:15 AM	HOUSING STARTS SAAR	(Dec)	(M)	250.0K	255.0K	254.1K
Friday, January 16	8:30 AM	INT'L. SEC. TRANSACTIONS	(Nov)	(M)	-	-	46.6B

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, January 12	-	AUCTION: 3-YR TREASURIES \$58B	-	-	-	-	-
Monday, January 12	-	AUCTION: 10-YR TREASURIES \$39B	-	-	-	-	-
Monday, January 12	12:30 PM	Speaker: Raphael W. Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Monday, January 12	12:45 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Monday, January 12	6:00 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Tuesday, January 13	-	AUCTION: 30-YR TREASURIES \$22B	-	-	-	-	-
Tuesday, January 13	8:30 AM	CPI M/M	(Dec)	(H)	0.3%	0.3%	-
Tuesday, January 13	8:30 AM	CPI M/M (core)	(Dec)	(H)	0.3%	0.3%	-
Tuesday, January 13	8:30 AM	CPI Y/Y	(Dec)	(H)	2.7%	2.7%	2.7%
Tuesday, January 13	8:30 AM	CPI Y/Y (core)	(Dec)	(H)	2.7%	2.7%	2.6%
Tuesday, January 13	10:00 AM	NEW HOME SALES SAAR	(Oct)	(M)	675K	714K	-
Tuesday, January 13	10:00 AM	NEW HOME SALES M/M	(Oct)	(M)	-	-10.8%	-
Tuesday, January 13	2:00 PM	FEDERAL BUDGET BALANCE	(Dec)	(L)	-	-	-\$173.3B
Tuesday, January 13	10:00 AM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Tuesday, January 13	4:00 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Wednesday, January 14	7:00 AM	MBA-APPLICATIONS	(Jan 9)	(L)	-	-	0.3%
Wednesday, January 14	8:30 AM	PPI M/M	(Nov)	(M)	0.3%	0.3%	-
Wednesday, January 14	8:30 AM	PPI M/M (core)	(Nov)	(M)	0.3%	0.2%	-
Wednesday, January 14	8:30 AM	PPI Y/Y	(Nov)	(M)	-	2.6%	-
Wednesday, January 14	8:30 AM	PPI Y/Y (core)	(Nov)	(M)	-	-	-
Wednesday, January 14	8:30 AM	RETAIL SALES M/M	(Nov)	(H)	0.5%	0.4%	0.0%
Wednesday, January 14	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Nov)	(H)	0.5%	0.4%	0.4%
Wednesday, January 14	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Nov)	(H)	0.5%	0.4%	0.8%
Wednesday, January 14	8:30 AM	CURRENT ACCOUNT BALANCE	(3Q)	(L)	-	-	-\$251.3B
Wednesday, January 14	10:00 AM	EXISTING HOME SALES SAAR	(Dec)	(M)	-	4.2M	4.1M
Wednesday, January 14	10:00 AM	EXISTING HOME SALES M/M	(Dec)	(M)	-	2.1%	0.5%
Wednesday, January 14	10:00 AM	BUSINESS INVENTORIES M/M	(Oct)	(L)	-	-	0.2%
Wednesday, January 14	9:50 AM	Speaker: Anna Paulson (Philadelphia) (Voter)	-	-	-	-	-
Wednesday, January 14	10:00 AM	Speaker: Stephen Miran (Governor) (Voter)	-	-	-	-	-
Wednesday, January 14	12:00 PM	Speaker: Neel Kashkari (Minneapolis) (Voter) & Raphael W. Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Wednesday, January 14	2:10 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Thursday, January 15	8:30 AM	INITIAL CLAIMS	(Jan 10)	(M)	-	-	208K
Thursday, January 15	8:30 AM	CONTINUING CLAIMS	(Jan 3)	(L)	-	-	1914K
Thursday, January 15	8:30 AM	IMPORT PRICE INDEX M/M	(Nov)	(L)	-	-0.2%	-
Thursday, January 15	8:30 AM	EXPORT PRICE INDEX M/M	(Nov)	(L)	-	-	-
Thursday, January 15	8:30 AM	NEW YORK FED (EMPIRE)	(Jan)	(M)	-	1.0	-3.9
Thursday, January 15	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Jan)	(M)	-	-2.9	-8.8
Thursday, January 15	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Nov)	(L)	-	-	\$17.5B
Thursday, January 15	8:35 AM	Speaker: Raphael W. Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Thursday, January 15	9:15 AM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Thursday, January 15	12:40 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Friday, January 16	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Dec)	(H)	0.1%	0.2%	0.2%
Friday, January 16	9:15 AM	CAPACITY UTILIZATION	(Dec)	(M)	76.0%	76.0%	76.0%
Friday, January 16	10:00 AM	NAHB HOUSING INDEX	(Jan)	(L)	-	-	39.0
Friday, January 16	11:00 AM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Friday, January 16	3:30 PM	Speaker: Philip N. Jefferson (Governor) (Voter)	-	-	-	-	-

Week Ahead's market call

by Ali Jaffery and Andrew Grantham

In the **US**, the focus will be on the Supreme Court decision, which could be handed down in the coming week. If the court does rule against the administration's tariffs, the focus will be on what authorities the administration uses to re-impose tariffs and to what degree. Companies could also seek compensation for tariffs previously paid if the decision permits this. There is also a busy data week ahead, with CPI, retail sales, PPI, industrial production and housing starts. We are in line with consensus on CPI, but above consensus on retail sales. There will be a long list of Fed speakers next week, likely reiterating that the Fed will remain patient. But the political headlines will likely be bigger than the economic news next week, with Venezuela's opposition leader coming to the White House and Secretary Rubio meeting with the Danes to discuss Greenland.

In **Canada**, manufacturing shipments data are expected to confirm the advance estimate for a further decline, demonstrating the continued struggles of the sector in the face of US tariffs. With wholesale activity expected to be broadly flat, the week's data will confirm that any growth in November GDP will be marginal and driven by rebounds in sectors impacted by strike activity in October.

There are no major Canadian data releases next week.

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

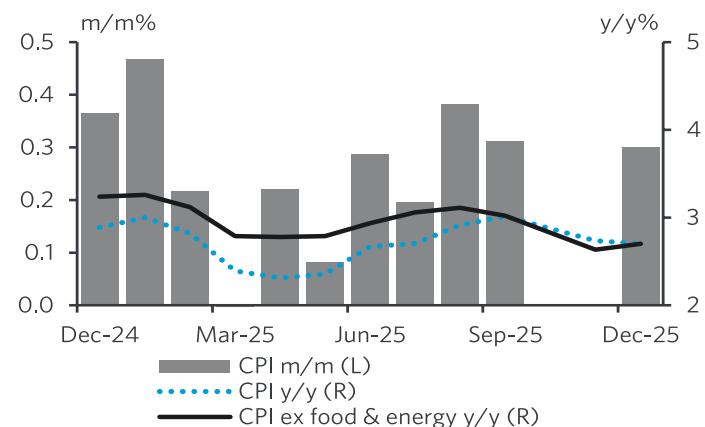
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.3	0.3	-
Headline CPI (y/y)	2.7	2.7	2.7
Core CPI (m/m)	0.3	0.3	-
Core CPI (y/y)	2.7	2.7	2.6

The December CPI report is expected to show price pressures remaining modestly above target, with both core and headline rising 0.3% m/m. However, the reading will not be entirely free of bias and will have lots of moving parts. Prices for goods and services excluding shelter are likely to run a bit hotter in December, in part because of prior data distortions. Moving in the other direction will be shelter costs, which should continue to look tame as lower new rents are entering into the CPI shelter index. The net impact of these shifts will be inflation momentum close to where it was prior to the government shutdown.

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

Forecast implications — The Fed will likely remain skeptical of the signal from the December CPI report and, given today's solid jobs report, is likely to hold policy steady this month following three consecutive cuts.

Market implications — A consensus inflation print is unlikely to impact market pricing.

Other US Releases: Retail sales—November

(Wednesday, 8:30 am)

November retail sales should remain strong, indicated by high-frequency data such as car sales, online sales and credit card spending data. We expect headline sales, and the control group, to print at 0.5% in the month, one notch above consensus.

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