Economics

THE WEEK AHEAD

August 17 - 21, 2026

The fog of non-war

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

The bombs have mostly gone silent, and oil futures, after an initial rebound, have also gone quiescent in terms of daily volatility. But for economic forecasters and investors, the fog of non-war in the Persian Gulf may if anything be thicker than it was during the height of active combat, as the range of plausible outcomes, and their timing, are now even less clear. In the spring, Trump's stated desire for a short war, and his willingness to drop regime change as an objective, seemed to leave room for a deal in a few months' time that would re-open the Straits. But seeing the political barriers in the US to relaunching the war, Iran has upped its demands, and the Americans seem unwilling to go that extra mile.

At this point, we'd be inclined to ignore statements that a deal is on the way when they come from the US Administration, sources in Oman or Pakistan, or anyone other than the Iranian leadership. Even Trump is no longer is saying that he's called off the bombing because a deal is close at hand.

On its part, Iran's regime seems willing to have serious economic damage inflicted on its citizens to hold out for richer rewards from the US. So we have no clear guidance as to whether we are two months, or two years, away from the Straits reopening fully. Our base case is closer to that two-month view, counting on Iran and the US to be pressured into a resolution by the economic consequences of stalemate. But we're not so sure we can dismiss the threat from a senior IRG commander that Iran will wait until Trump is no longer President.

The fact that various Gulf states are spending large sums to construct other routes for their oil suggest that they aren't so sure either. Those alternatives will take time to build, leaving the risks of tanker disruptions in place for now, and one of the bypasses, through the Red Sea, has occasionally been under threat from Houthis in Yemen.

Don't take too much comfort in the stability of WTI and Brent futures readings on your screen, as they understate the volatility we face. It seems unlikely that oil can simply hover at $80/bbl for several more quarters; it's going to either settle down to $70 or lower if a deal is reached, or test triple digits if not. Crude prices are still being cushioned by drawing down the SPR reserves, which are now reaching low enough levels to hamper the pumping of further withdrawals. Admittedly, the data is fuzzy on Chinese reserves that helped them slash imports, and on how many tankers are still leaking through the Straits. But the longer the Straits are under threat, the higher oil will go. And due to war-related hits to refining in Russia and the Middle East, Americans are already paying over $4 per gallon at the pump, a price typically seen when WTI crude is over $100/bbl.

For some parts of our forecast, or assets that look out over longer horizons, this may not matter much. Energy inflation will still be transitory if it comes back down to earth in two months or two years. So our 30-year bond forecast isn't really in play if markets assume that longer term inflation risks are muted. But calling the turns in headline inflation, the spillover from energy into core prices, and what that means for central bank policy, is now challenged when you don't have a lot of conviction on any one scenario.

These forecast uncertainties are weightier in our US monetary policy outlook than they are for Canada. The risks that energy costs spill over into a broader inflationary spiral are greater south of the border, where the labour market is tighter, and core inflation is already in 3% territory. The Bank of Canada has made it clear that it won't hike on energy costs alone, but the Fed, which already has its share of hawks, would be less able to stand pat if we return to headline inflation north of 4%, and core inflation edges up from here.

That risk is unlikely to be in play at the September Fed meeting, particularly after seeing some softer core inflation readings. Moreover, September would be too short a window to dim hopes that a deal is coming to open the Straits, even if that could be after the November mid-terms. So for now, our base case is that oil inflation cools in time to keep the Fed on hold this year, but we'd be cautious about putting on trades that depend on that outcome until the fog of non-war begins to lift.

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 17	8:30 AM	CPI M/M	(Jul)	(H)	0.5%	0.5%	-0.4%
Monday, August 17	8:30 AM	CPI Y/Y	(Jul)	(H)	3.0%	3.0%	2.8%
Monday, August 17	8:30 AM	CPI EX Food & Energy Y/Y	(Jul)	(M)	1.9%	1.8%	1.8%
Monday, August 17	8:30 AM	CONSUMER PRICE INDEX	(Jul)	(M)	-	-	169.0
Monday, August 17	8:30 AM	CPI Core- Median Y/Y%	(Jul)	(M)	2.0%	2.0%	1.9%
Monday, August 17	8:30 AM	CPI Core- Trim Y/Y%	(Jul)	(M)	1.8%	1.8%	1.8%
Tuesday, August 18	5:00 AM	EXISTING HOME SALES M/M	(Jul)	(M)	-	-	0.5%
Tuesday, August 18	8:15 AM	HOUSING STARTS SAAR	(Jul)	(M)	240.0K	247.5K	239.0K
Wednesday, August 19	-	AUCTION: 2-YR CANADAS $5.5B	-	-	-	-	-
Thursday, August 20	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Jul)	(M)	-	-	-1.4%
Thursday, August 20	8:30 AM	RAW MATERIALS M/M	(Jul)	(M)	-	-	-6.9%
Friday, August 21	8:30 AM	RETAIL TRADE TOTAL M/M	(Jun)	(H)	0.4%	0.4%	1.0%
Friday, August 21	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Jun)	(H)	-	0.4%	1.2%

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 17	8:30 AM	NEW YORK FED (EMPIRE)	(Aug)	(M)	-	10.0	15.6
Monday, August 17	10:00 AM	NAHB HOUSING INDEX	(Aug)	(L)	-	33	34
Monday, August 17	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Jun)	(L)	-	-	$232.7B
Tuesday, August 18	8:30 AM	IMPORT PRICE INDEX M/M	(Jul)	(L)	-	0.1%	0.3%
Tuesday, August 18	8:30 AM	EXPORT PRICE INDEX M/M	(Jul)	(L)	-	0.0%	-0.6%
Tuesday, August 18	8:30 AM	HOUSING STARTS SAAR	(Jul)	(M)	1360K	1350K	1427K
Tuesday, August 18	8:30 AM	BUILDING PERMITS SAAR	(Jul P)	(H)	1350K	1370K	1374K
Tuesday, August 18	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Jul)	(H)	0.4%	0.3%	0.1%
Tuesday, August 18	9:15 AM	CAPACITY UTILIZATION	(Jul)	(M)	76.4%	76.3%	76.1%
Tuesday, August 18	10:00 AM	PENDING HOME SALES M/M	(Jul)	(M)	-	0.4%	-5.4%
Wednesday, August 19	-	AUCTION: 20-YR TREASURIES $16B	-	-	-	-	-
Wednesday, August 19	7:00 AM	MBA-APPLICATIONS	(Aug 14)	(L)	-	-	3.6%
Wednesday, August 19	2:00 PM	FOMC Meeting Minutes	(Jul 29)	-	-	-	-
Thursday, August 20	-	AUCTION: 30-YR TIPS $8B	-	-	-	-	-
Thursday, August 20	8:30 AM	INITIAL CLAIMS	(Aug 15)	(M)	-	210K	209K
Thursday, August 20	8:30 AM	CONTINUING CLAIMS	(Aug 8)	(L)	-	-	1777K
Thursday, August 20	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Aug)	(M)	-	25.0	41.4
Thursday, August 20	10:00 AM	LEADING INDICATORS M/M	(Jul)	(M)	-	-	-0.2%
Friday, August 21	9:45 AM	S&P GLOBAL US SERVICES PMI	(Aug P)	(L)	-	53.9	54.6
Friday, August 21	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Aug P)	(L)	-	-	54.5
Friday, August 21	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Aug P)	(L)	53.9	53.7	53.9
Friday, August 21	10:30 AM	Release: Senior Loan Officer Survey	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, it's a light week for economic data, with none of the major growth or inflation indicators on the schedule. That will put the focus on the minutes of the last FOMC meeting. With Warsh not offering much in his press conference, the minutes will take on greater significance in terms of explaining why the committee voted to keep rates unchanged, and could thereby put some perspective on what would have to change to prompt a hike later this year. Housing starts and permits could slip, as the sector continues to face a material headwind from elevated mortgage rates.

In **Canada**, is it deal or no deal? That will be the question on Monday or Tuesday as we await news on whether the US and Canada can find a middle ground that prevents new US tariffs kicking in on August 19, and dials down some of the existing tariffs and trade barriers that have been put into place since Trump took office. One plausible outcome would leave some reduced tariffs in place on Canadian exports of autos, metals, metal products, and lumber, drop the new tariffs threatened last month, and see Canada remove its counter tariffs, ask provinces to restock US alcoholic beverages, and only partially meet some other US demands. But the deal needs to get Trump's nod of approval, and that's always difficult to predict. With a lot at stake, CPI and retail data will take a back seat to the trade announcement, particularly if, as we expect, they aren't far from consensus.

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

(Monday, 8:30 am)

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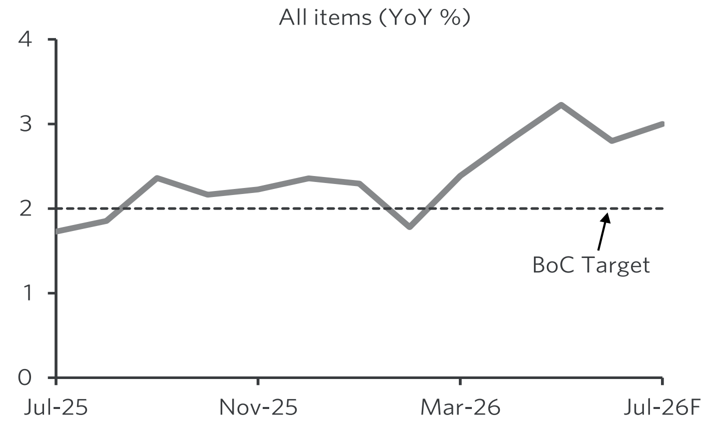
Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.5	0.5	-0.4
CPI (y/y)	3.0	3.0	2.8

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Headline inflation likely picked up again in July, largely due to an increase in gasoline prices that partially offset the decline seen in the prior month. Food prices may have also seen a moderate increase following a flat month in June. Ex food/energy prices are expected to have risen by 0.25% SA, which would be a bit slower than the prior month but stronger than the underlying trend typically associated with a 2% inflation target. However, that above-trend reading is expected to be driven mainly by airline fares, which are still reflecting the fuel cost passthrough from the first spike in global oil prices. Other measures of core inflation (CPI-X, Trim and Median) won't be impacted by this one area and as a result should see more moderate price increases.

Forecast implications — While inflation may have edged back up in July, core measures will likely still be averaging close to 2% on a year-over-year basis. Moreover, the pass through from the first oil price spike to core inflation (particularly air fares) should be close to peaking, which will limit upward pressure ahead as long as jet fuel prices remain off their earlier peaks.

Other Canadian releases: Retail sales—June

(Friday, 8:30 am)

Retail sales likely rose by 0.4% in June — a result that will look even better in volume terms given the decline in gasoline prices seen during the month. The advance estimate for July will likely show a stronger gain in nominal terms, albeit flattered by a partial rebound in pump prices during that month.

Week Ahead's key US number: Housing starts—July

(Tuesday, 8:30 am)

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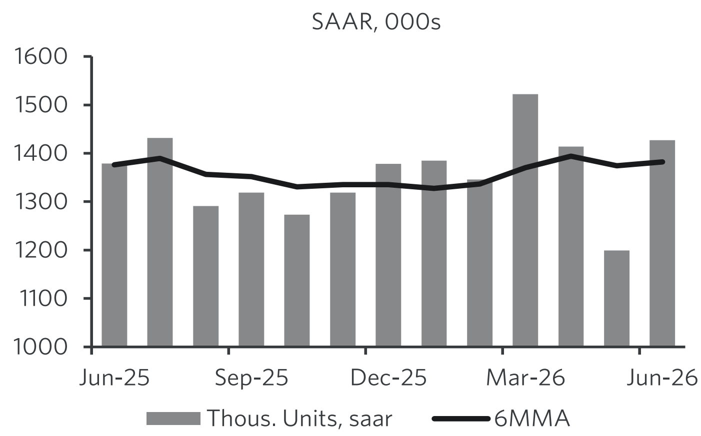
Variable	CIBC	Mkt	Prior
Housing starts SAAR	1360K	1350K	1427K

Chart: US housing starts



Source: Census Bureau, Haver Analytics, CIBC

We expect housing starts to ease off in July after the surge in June led by multiples starts. Single starts should show a modest increase after three consecutive monthly declines but the surge in multiples last month is likely to reverse. July's payroll showed some improvement in construction employment so there could still be some underlying strength in construction activity in the month. That said, July existing home sales showed a continued downward trend, mortgage rates climbed higher and homebuilder sentiment declined in July. All these point to sluggish near-term outlook for housing activity.

Forecast implications — The level of residential investment remained low in Q2, and the lackluster existing home sales in July, higher mortgage rates and depressed builder sentiment imply further downward pressure for Q3.

Other US Releases: Industrial production—July

(Tuesday, 9:15 am)

Following two consecutive weak months, we expect industrial production growth to pick up to 0.4% on the backs on stronger manufacturing. Utilities should also post solid growth, supported by the hottest ever July weather in the US. Businesses are still spending heavily on AI which should keep manufacturing activity afloat, and computer equipment production is due for a rebound following two consecutive monthly declines. Mining should increase on the month as July's non-farm payrolls showed an increase in hours worked.

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