THE WEEK AHEAD

April 7 - 11, 2025

Humpty Dumpty had a great fall

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

The global trading system has been sitting on eggshells since the US election in November, and now, like Humpty Dumpty, it's had a great fall. That's evident in the equity market's reaction in recent days. But for the world's investors, corporate managers, central bankers and political leaders, the question is whether, in this case, all the kings horses and all the kings men, including those working in the White House and their counterparts abroad, can put Humpty together again. Because in judging where we go from here, our forecasts are highly dependant on whether trade relations can be healed, and if so, by how much.

While Canadians welcomed Trump's decision to exempt Canada from its so-called "reciprocal" tariffs, it left auto, steel aluminum and lumber tariffs in place, with lumber still under investigation for potentially higher tariffs ahead. These levies hit many of the sectors that rely most heavily on exports to the US. Moreover, the much larger than expected tariffs imposed on other countries have darkened the outlook for global growth. Alberta's oil won't have to be discounted due to a US tariff, but benchmark oil prices have retreated in recent days by as much as the threatened 10% tariff.

Even if the US avoids an outright recession, slower American growth in the wake of wealth losses, business uncertainty, higher prices and dampened consumer confidence will reduce demand for Canadian exports. A potential global recession will hit resource and demand for goods overseas. And weakening capital markets will cut into Canadians' wealth and confidence that underpins domestic demand.

While those massive global tariffs are therefore a near-term negative for Canada, as we wrote in this space a week ago (see "Miserly Loves Company"), Canada's medium term fate might be improved if the US imposes heavy tariffs beyond Canada and Mexico. In a few sectors, Canadian goods compete more heavily with other countries' exports, rather than domestic goods in the US market, and will have an edge over those facing heavier tariffs. But the real benefit is that the shock to the US economy, and to American voters, will be much more visible, increasing our confidence that the White House will conclude that they have to at least try to put Humpty together again, through dealmaking that unwinds these tariffs.

Retaliatory tariffs or boycotts on US goods in Canada would have stung some parts of the US economy, but joined by actions elsewhere, the impacts on US GDP and jobs will be more in evidence. Moreover, inflation, the very scourge that helped sour Americans on Biden and bring Trump into office, will be roaring back to life given the heavy tariff burden announced on consumer goods and inputs into US manufacturing.

Even if the White House brushes off the Wall Street reaction, it's going to be hard for it, and its allies in Congress who face voters in 2026, to shrug off what they will soon be hearing from their constituents. Economic models struggle to estimate the impacts of a once-in-a-century shock, but the Yale Budget Lab's numbers are illustrative. They put the inflation bump from the tariffs announced to date at 2.3%, most of which would likely show up in year one, although with a bit a lag due to a rush to import goods ahead of April 2nd. GDP growth over the four quarters of 2025 would be 0.9% lower, and that only included the retaliation announced up to April 2nd, so it misses China's response, and others that might like ahead.

It might also not capture the damage to US exports to fast growing emerging markets, which had been increasingly important to US businesses, but which now might vanish in the face of recessions in those countries. The Fed is typically a safety valve for an economy in trouble, but it might be hesitant to deliver interest rate relief given the initial upward pressure on inflation. So at some point, perhaps in a matter of months, the White House will be looking to repair some of the damage it will have caused, and it's left room to do so in the messaging from its Treasury Secretary, who has advised others to start the negotiating process.

Putting Humpty together again won't be easy, and cracks will remain visible in the global economy's shell for years to come. Since "reciprocal" tariffs went well above what others actually charge on US exports, they can't offer tariff cuts equivalent to the ones now imposed in the US. Trump will have to accept smaller wins for American exports in exchange for a major retreat on what he's now enacted. Even if a new USMCA is agreed to and auto tariffs are dropped, businesses may be reluctant to invest in Canadian facilities dependant on free trade with a partner that seems willing to break its word. So while we don't see a quick return to the prior growth path, we're not yet going to project the deep recession that Canada, and the global economy, would face if no repair efforts are forthcoming.

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, April 7	10:30 AM	BUSINESS OUTLOOK SURVEY	(1Q)	(M)	-	-	-1.2
Monday, April 7	10:30 AM	Release: Survey of Consumer Expectations	-	-	-	-	-
Tuesday, April 8	-	AUCTION: 3-M BILLS $14.6B, 6-M BILLS $5.2B, 1-YR BILLS $5.2B	-	-	-	-	-
Tuesday, April 8	10:00 AM	IVEY PMI	(Mar)	(L)	-	-	55.3
Wednesday, April 9	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Thursday, April 10	-	AUCTION: 5-YR CANADAS $5.3B	-	-	-	-	-
Thursday, April 10	8:30 AM	BUILDING PERMITS M/M	(Feb)	(M)	-	-	-3.2%
Friday, April 11	-	-	-	-	-	-	-

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, April 7	3:00 PM	CONSUMER CREDIT	(Feb)	(L)	-	$15.0B	$18.1B
Tuesday, April 8	-	AUCTION: 3-YR TREASURIES $58B	-	-	-	-	-
Tuesday, April 8	2:00 PM	Speaker: Mary C. Daly (San Francisco) (Voter)	-	-	-	-	-
Wednesday, April 9	-	AUCTION: 10-YR TREASURIES $39B	-	-	-	-	-
Wednesday, April 9	7:00 AM	MBA-APPLICATIONS	(Apr 4)	(L)	-	-	-1.6%
Wednesday, April 9	10:00 AM	WHOLESALE INVENTORIES M/M	(Feb)	(L)	-	-	0.3%
Wednesday, April 9	10:00 AM	FOMC Meeting Minutes	(Mar 19)	-	-	-	-
Wednesday, April 9	11:00 AM	Speaker: Thomas I. Barkin (Richmond) (Voter)	-	-	-	-	-
Thursday, April 10	-	AUCTION: 30-YR TREASURIES $22B	-	-	-	-	-
Thursday, April 10	8:30 AM	INITIAL CLAIMS	(Apr 5)	(M)	-	-	219K
Thursday, April 10	8:30 AM	CONTINUING CLAIMS	(Mar 29)	(L)	-	-	1903K
Thursday, April 10	8:30 AM	CPI M/M	(Mar)	(H)	0.2%	0.1%	0.2%
Thursday, April 10	8:30 AM	CPI M/M (core)	(Mar)	(H)	0.3%	0.3%	0.2%
Thursday, April 10	8:30 AM	CPI Y/Y	(Mar)	(H)	2.7%	2.6%	2.8%
Thursday, April 10	8:30 AM	CPI Y/Y (core)	(Mar)	(H)	3.0%	3.0%	3.1%
Thursday, April 10	9:30 AM	Speaker: Lorie K. Logan (Dallas) (Non-Voter)	-	-	-	-	-
Thursday, April 10	12:00 PM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Thursday, April 10	12:30 PM	Speaker: Patrick Harker (Philadelphia) (Non-Voter)	-	-	-	-	-
Friday, April 11	8:30 AM	PPI M/M	(Mar)	(M)	0.2%	0.2%	0.0%
Friday, April 11	8:30 AM	PPI M/M (core)	(Mar)	(M)	0.3%	0.3%	-0.1%
Friday, April 11	8:30 AM	PPI Y/Y	(Mar)	(M)	-	-	3.2%
Friday, April 11	8:30 AM	PPI Y/Y (core)	(Mar)	(M)	-	-	3.4%
Friday, April 11	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Apr P)	(H)	-	55.0	57.0
Friday, April 11	10:00 AM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Friday, April 11	11:00 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, the fallout from the April 2nd announcement, and other countries' responses, is likely to continue to dominate financial market activity. On the data front, we're a tick higher than consensus on the CPI, and in line on the more important core CPI readings, but the real issue for the Fed is about where prices are headed once they start to reflect tariffs on goods arriving in the country. That will take some months to be fully visible, since most goods on the shelves arrived prior to April. The Fed was firmly on hold at its last meeting, and seemed to want to stand pat until trade and fiscal policy was more apparent, but we'll see if Fed speakers pay much heed to financial market weakness and declines in confidence surveys.

In **Canada**, the election is now in full swing, and the data calendar is quite bare for the week ahead. The BoC's business and household surveys came during the one-month pause on tariff news, but will no doubt be weakened by the uncertainties raised on the trade front. As in the US, where equity markets go could also have an impact on the Bank of Canada's upcoming rate decision, due the following week. Rather than cutting in April, judging by his last speech, Macklem clearly wants to pause to take stock and gain greater clarity on the growth and inflation impacts of the trade war. But if the downslide in global financial markets gathers too much steam, he might have to reconsider.

There are no major Canadian data releases next week.

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

(Thursday, 8:30 am)

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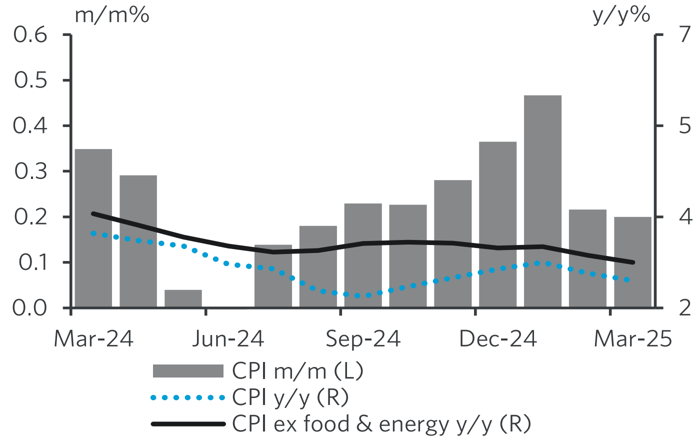
Variable (%)	CIBC	Mkt	Prior
Headline CPI m/m	0.2	0.1	0.2
Headline CPI y/y	2.7	2.6	2.8
Core CPI m/m	0.3	0.3	0.2
Core CPI y/y	3.0	3.0	3.1

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

The March CPI report is the biggest piece of US data next. Core inflation should come in at 0.3% m/m and the headline measure at 0.2% m/m. While used car prices should slow in the month, we expect price pressures in the rest of the basket to firm, particularly in other goods categories with the tariffs on China starting to bite a little. Services ex. shelter costs should be a bit higher in the month as well, and we expect shelter prices to move sideways.

Forecast implications — The Fed doesn't have much reason to move right now, with inflation risks at least as high as risks to the economy.

Market implications — Our views are aligned with consensus but markets are more focused on news flow and the potential for a tariff off-ramp than the near-term data.

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