Economics

THE WEEK AHEAD

August 24 - 28, 2026

Will the Midterms Matter?

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

Those who support what the Republican Congress and Presidency have done since January 2025, and those who oppose what's happened, are both looking at the upcoming November midterm elections for signs that the political winds will stay on course or reverse direction. Pollsters give the Democrats decent odds of taking the House, and see a tight battle for control of the Senate. But on most items that matter, including trade issues, the midterms might not actually matter.

That reflects two realities. First, Donald Trump is not on the ballot. Many of the policy swings during Trump's second term have come in the 274 executive orders issued since he took office. These have covered policies pertaining to tariffs, immigration, the environment and energy, AI, and prescription drugs, among other areas. Military strikes in Venezuela and Iran were also launched in solo decisions by the White House.

Second, undoing these executive actions would require more than a Democratic majority in both houses. As an example, Congress could in theory reassert its constitutional authority to set tax rates, and rescind the legislation under which it gave the President the power to set tariffs in certain cases.

But legislation to do so would need a two-thirds vote in both houses of Congress to override a likely White House veto. Republicans need to win only 4 of the 35 seats up for grabs to prevent the Democrats from attaining 67 Senate seats, so it will require considerable bipartisan support to undo Trump's tariffs and other executive orders. That's likely behind the Canadian government's thinking that waiting until after the midterms wasn't likely to result in a better environment to negotiate reductions in tariffs, particularly in the face of a threatened further escalation this month. Democrats are also prone to supporting protectionist measures in some cases, as we saw with actions by Biden with respect to China.

Where Congress does have considerable sway is over fiscal policy, but bond markets shouldn't put much faith in its ability to rein in deficits that have been pressuring yields in recent weeks. Much of the fiscal red ink owes to the One Big Beautiful Bill and the extension of tax cuts tied to it, and to rising appropriations for defence.

It seems unlikely that these tax cuts will be reversed, or offset by major new tax increases in the next two years. Republicans are strongly united on that issue, and Trump would surely veto any bill that raised taxes. If Democrats have control of both houses, future appropriations bills will need their green light. These budget bills will be contentious, and we expect to see two years of fiscal inaction that will at least put a cap on a substantial escalation in deficits.

So where will the midterms make a difference? Partly in setting the stage for the next presidential cycle in 2028. If the Democrats gain control of the House, for example, they can have House committees subpoena witnesses, including Administration officials, in an effort to shed unfavourable light on White House actions.

Congress has yet to enact some other Trump initiatives, including the Clarity Act, a major bill pertaining to cryptocurrencies, which has stalled in the Senate. It might face a greater uphill climb if not enacted by this Senate if Democrats add some seats in that body.

In sum, a two-year Congressional stalemate seems likely if the Democrats obtain only slim majorities in either the House, the Senate or both. But an activist White House is still quite probable, particularly since Supreme Court rulings have expanded the power of the Executive Branch, in terms of its ability to directly control various agencies (other than the Fed) that previously operated with a greater degree of independence. And for Canada, it means that another round of trade talks, in this case trilateral negotiations with the US and Mexico, will be on the agenda in 2027, with any change in Congress not likely to soften the White House tone.

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 24	-	-	-	-	-	-	-
Tuesday, August 25	-	AUCTION: 3-M BILLS $16.4B, 6-M BILLS $5.8B, 1-YR BILLS $5.8B	-	-	-	-	-
Wednesday, August 26	-	AUCTION: 10-YR CANADAS $5B	-	-	-	-	-
Thursday, August 27	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Jun)	-	-	-	24.1K
Thursday, August 27	8:30 AM	CURRENT ACCOUNT BALANCE	(2Q)	(M)	$8.6B	-	-$7.2B
Friday, August 28	8:30 AM	GDP M/M	(Jun)	(H)	0.2%	0.2%	0.3%
Friday, August 28	8:30 AM	GDP ANNUALIZED	(2Q)	(H)	3.5%	3.3%	-0.1%

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 24	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Jul)	(M)	-	-	-0.02
Tuesday, August 25	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Tuesday, August 25	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Aug)	(M)	-	-	7.4
Tuesday, August 25	9:00 AM	HOUSE PRICE INDEX M/M	(Jun)	(M)	-	0.2%	0.3%
Tuesday, August 25	9:00 AM	S&P CORELOGIC CS Y/Y	(Jun)	(H)	-	1.7%	1.6%
Tuesday, August 25	10:00 AM	RICHMOND FED MANUF. INDEX	(Aug)	(M)	-	7	5
Tuesday, August 25	10:00 AM	NEW HOME SALES SAAR	(Jul)	(M)	-	620K	628K
Tuesday, August 25	10:00 AM	NEW HOME SALES M/M	(Jul)	(M)	-	-1.3%	1.6%
Tuesday, August 25	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Aug)	(H)	90.2	90.2	90.8
Wednesday, August 26	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Wednesday, August 26	7:00 AM	MBA-APPLICATIONS	(Aug 21)	(L)	-	-	-0.4%
Wednesday, August 26	8:30 AM	PCE DEFLATOR Y/Y	(Jul)	(H)	3.7%	3.6%	3.7%
Wednesday, August 26	8:30 AM	PCE DEFLATOR Y/Y (core)	(Jul)	(H)	3.3%	3.3%	3.3%
Wednesday, August 26	8:30 AM	PERSONAL INCOME M/M	(Jul)	(H)	0.1%	0.2%	0.2%
Wednesday, August 26	8:30 AM	PERSONAL SPENDING M/M	(Jul)	(H)	-0.1%	0.1%	0.3%
Wednesday, August 26	8:30 AM	DURABLE GOODS ORDERS M/M	(Jul P)	(H)	0.5%	0.5%	0.5%
Wednesday, August 26	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Jul P)	(H)	0.8%	0.5%	0.7%
Wednesday, August 26	8:30 AM	GDP (annualized)	(2Q S)	(H)	1.5%	1.5%	1.5%
Wednesday, August 26	8:30 AM	GDP DEFLATOR (annualized)	(2Q S)	(H)	6.2%	6.2%	6.2%
Thursday, August 27	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Thursday, August 27	8:30 AM	INITIAL CLAIMS	(Aug 22)	(M)	-	208K	206K
Thursday, August 27	8:30 AM	CONTINUING CLAIMS	(Aug 15)	(L)	-	-	204K
Thursday, August 27	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Jul)	(M)	-$100.0B	-99.5B	-$101.4B
Thursday, August 27	8:30 AM	RETAIL INVENTORIES M/M	(Jul)	(H)	-	-	0.0%
Thursday, August 27	8:30 AM	WHOLESALE INVENTORIES M/M	(Jul P)	(L)	-	-	0.2%
Thursday, August 27	-	Jackson Hole Economic Policy Symposium begins	-	-	-	-	-
Friday, August 28	9:45 AM	CHICAGO PMI	(Aug)	(M)	-	59.0	57.6
Friday, August 28	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Aug)	(H)	-	51.0	51.0
Friday, August 28	10:00 AM	Speaker: Warsh (Chairman, voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, while we expect a core PCE price increase of 0.3%, it might only take a couple of digits in the next decimal place to be rounded down to a better-looking 0.2%. Either way, it's not scary enough to move the Fed off the sidelines in September. The Jackson Hole conference gets underway, but Chairman Warsh has said he intends to use his remarks to frame the big questions, so we don't expect to hear actual answers to a little question like where policy rates are headed. Markets will be eying how the long bond reacts to amped up buying intentions from the Treasury, but we'll have Warsh framing the issues around the Fed's balance sheet, and shrinking its size runs counter to Bessent's efforts to rein in yields.

In **Canada**, as we write, we're still awaiting details on a tariff deal with the US, expecting it to prevent a further two-way escalation in tariffs, and provide only partial relief to Canadian exporters in sectors that the US has targeted. That outcome was already baked into our forecast for better economic growth in 2027, since US negotiations with other countries made clear that a return to free trade wasn't in the cards, but also suggested that there was some room for Canada to pare back tariffs currently in place. GDP for Q2 looks to be solid at 3.5% annualized, but remember that's after two negative quarters. The upturn in exports in the quarter is encouraging, but we see second half growth as closer to potential rather than above it, leaving economic slack in place.

Week Ahead's key Canadian number: Gross domestic product—Q2 and June

(Friday, 8:30 am)

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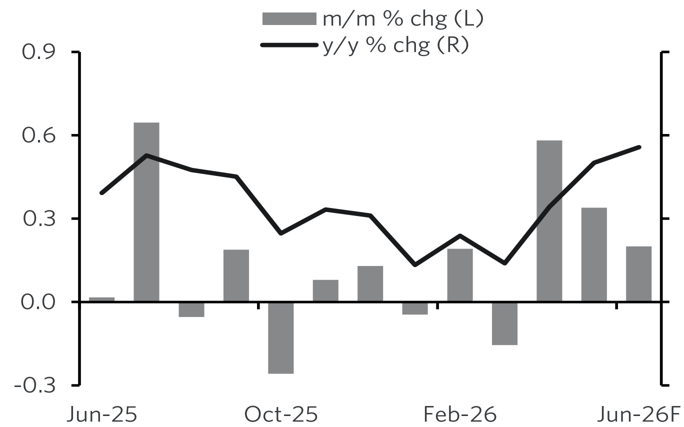
Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.2	0.2	0.3
GDP Q2 SAAR	3.5	3.3	-0.1

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

Following two tough quarters, the Canadian economy appears to have surged back to life in Q2 with annualized growth of around 3½%. A jump in export volumes, including surprisingly stronger trade to the US in some tariff-hit sectors, appears to have been a primary driver of the GDP rebound. Final domestic demand will likely post a more moderate increase, although that would still be an improvement relative to the small decline seen in Q1. Signs of stabilization in the housing market should have supported a first increase in residential investment in three quarters, while imports of machinery suggest that business investment may have seen a partial recovery. Consumer spending growth may have decelerated as households saw disposable incomes squeezed by higher gasoline prices.

Monthly data should confirm a 0.2% increase in June, while we expect a broadly flat reading for July given the uneven data that we have so far for that month.

Forecast implications — With the Canadian manufacturing sector already running close to full working capacity, and given uncertainties regarding US tariffs to start the third quarter, it seems likely that export growth will cool off and be less of a helping hand for GDP in the second half of the year. However, consumer spending should get a lift from enhanced government benefits, and an acceleration there should keep overall GDP growth averaging around 2%.

Other Canadian releases: Current account balance—Q2

(Thursday, 8:30 am)

A surge in energy prices and higher export volumes saw the goods trade balance swing from deficit to surplus during the second quarter, and will be the primary driver of a forecasted $8.6bn current account surplus for Q2. A small deficit in services trade during the quarter will only act as a very partial offset.

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

(Wednesday, 8:30 am)

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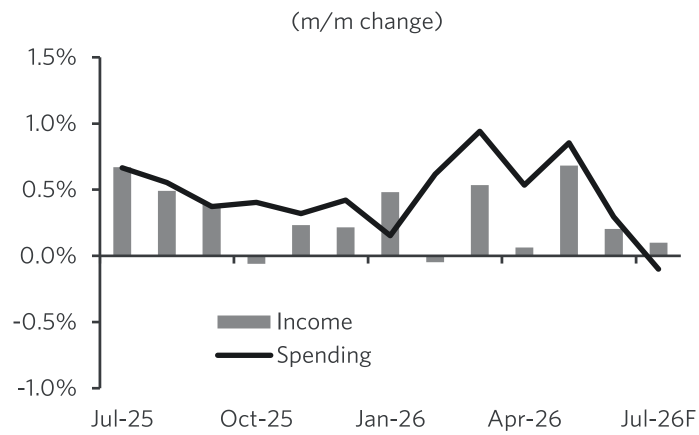
Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.1	0.2	0.2
Personal spending (m/m)	-0.1	0.1	0.3
Core PCE price index (y/y)	3.3	3.3	3.3

Chart: US personal income & spending



Source: BEA, Haver Analytics, CIBC

The July retail sales data showed American consumers are starting to feel the pinch of higher gasoline prices as they pulled back spending. July's non-farm payroll report was also weak, with wages and salaries only rising by 0.1% m/m, consistent with our expectation for slower personal income growth in July. The weak retail sales and wage growth signals that personal spending is likely to be lower in July (-0.1% versus June: 0.3%). Core CPI grew at a modest pace of 0.2% m/m in July. With July PPI data showing some strength on the service side from portfolio management and certain healthcare service categories, we expect core PCE index show grow at 0.3% m/m in July, leaving the annual pace unchanged at 3.3%.

Forecast implications — With personal spending growing slightly slower than personal income in July, the savings rate should tick up or at least hold steady. Since the effects of higher tax refunds largely behind us as tax season wanes, elevated inflation should continue to limit consumers' purchasing power which should constrain growth for consumption in Q3.

Other US Releases: Durable goods orders—July

(Wednesday, 8:30 am)

We expect durable goods orders to continue the steady growth seen in June, growing at 0.5% in July. Much of the recent volatility in orders came from aircrafts and a large aircraft manufacturer saw orders drop in July relative to June. At the same time, auto orders could increase following a fall in June which would offset the modest decline in aircrafts. Excluding transportation, durable goods orders likely grew at 0.8% m/m as computer and electronics orders should continue to post solid growth given the elevated AI demand.

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