

Economics

# THE WEEK AHEAD

February 23 - 27, 2026

## Canada's "big win" for Trump

by Avery Shenfeld [avery.shenfeld@cibc.com](mailto:avery.shenfeld@cibc.com)

While Donald Trump just lost a big chunk of his tariffs, he's likely to look for other tariffs to replace them and argue for the merits of that stance. This week saw Japanese companies announce a \$36bn investment in what the US viewed as part of an agreement that the two countries reached to moderate threatened American tariffs last year.

The President chalked that up as a win for his trade policy, and threatened tariffs on Japan. He posted that "Our massive trade deal with Japan has just launched! The scale of these projects are so large, and could not be done without one special word, tariffs." If that's the President's view, then Canada has a lot to crow about in upcoming trade talks, based on what it's already been doing in the US for a long time.

The reality is that foreign capital inflows into the US are an inevitable corollary to America's perpetual trade and current account deficits, the very deficits that Trump hopes to tackle by imposing tariff. Because the balance of payments has to in fact balance for the foreign exchange market to clear, a country with a current account deficit will have an equal and offsetting capital and financial account surplus. It must by definition each year be the recipient of more investment dollars, whether in direct investments or portfolio investments in stocks, bonds or loans, than it sends out to the rest of the world.

True, much of that in the past has been financing US government deficits through the purchase of Treasuries, or in purchases of American equities. But such capital inflows still free up investment dollars in the domestic market to go to new additions to American's capital stock, or help companies and governments raise money for such purposes.

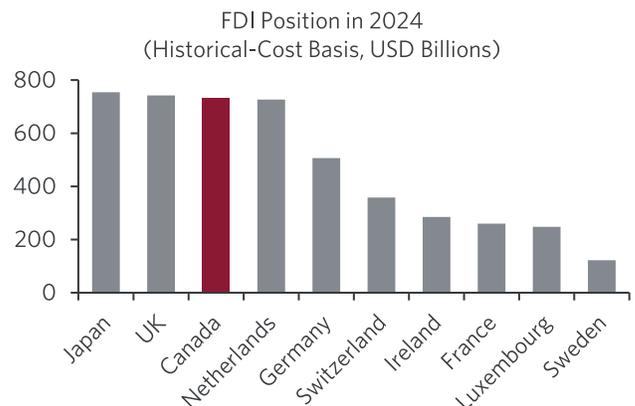
Japanese companies can build a power plant, but individual Japanese investors could also buy corporate securities to help American firms build those facilities. The companies participating in this week's announcement include Japanese equipment suppliers for a power project, and a firm expecting to reap its return on investment. This isn't a donation from the Japanese government in exchange for lower tariffs.

Which brings us to Canada's own bilateral capital flows with the US. If Trump thinks \$36 billion is "so large", then he should

be really impressed with the fact that in the four years to 2024, America's own data show that Canadian entities have added an average of \$60 bn per annum to the book value of their foreign direct investment holdings in the US. As a consequence of such flows, the total stock of Canadian FDI assets in the US is close to the top of the chart relative to others, and far above what many larger economies have allocated (Chart).

The flows have consistently exceeded what American entities have devoted to direct investment in Canada. Canada's large pension funds are part of that story, as they've expanded their direct investment activities in recent decades, and sought greater diversification than they could get by being concentrated in their home market.

As was true for Japan, or the EU, a Canadian government can't make a commitment to invest in the US, because, simply put, it doesn't steer either pension investments or those made by corporate Canada. But the reality is that, as long as Canada still has an overall trade and current account surplus with the US, Americans will be running a financial and capital account surplus with Canada, receiving more in investment flows of all types than it sends northbound. Perhaps we can remind the President of that big win in upcoming talks over Canada-US-Mexico trade, and let him tweet away about it.



Source: BEA, CIBC

## 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, February 23	-	-	-	-	-	-	-
Tuesday, February 24	-	AUCTION: 3-M BILLS \$13.4B, 6-M BILLS \$4.8B, 1-YR BILLS \$4.8B	-	-	-	-	-
Wednesday, February 25	-	AUCTION: 10-YR CANADAS \$5.25B	-	-	-	-	-
Thursday, February 26	-	AUCTION: 2-YR CANADAS \$6.0B	-	-	-	-	-
Thursday, February 26	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Dec)	-	-	-	-26.2K
Thursday, February 26	8:30 AM	CURRENT ACCOUNT BAL.	(4Q)	(M)	-	-	-\$9.9B
Thursday, February 26	-	Alberta budget	-	-	-	-	-
Friday, February 27	8:30 AM	GDP M/M	(Dec)	(H)	0.1%	0.1%	0.0%
Friday, February 27	8:30 AM	GDP ANNUALIZED	(4Q)	(H)	-0.2%	-0.4%	2.6%

## 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, February 23	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Jan)	(M)	-	-	-0.0
Monday, February 23	10:00 AM	FACTORY ORDERS M/M	(Dec)	(M)	-	1.0%	2.7%
Monday, February 23	10:00 AM	DURABLE GOODS ORDERS M/M	(Dec)	(H)	-	-	-1.4%
Monday, February 23	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Dec)	(H)	-	-	0.9%
Monday, February 23	8:00 AM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Tuesday, February 24	-	AUCTION: 2-YR TREASURIES \$69B	-	-	-	-	-
Tuesday, February 24	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Feb)	(M)	-	-	-4.2
Tuesday, February 24	9:00 AM	HOUSE PRICE INDEX M/M	(Dec)	(M)	-	0.3%	0.6%
Tuesday, February 24	10:00 AM	RICHMOND FED MANUF. INDEX	(Feb)	(M)	-	-	-6
Tuesday, February 24	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Feb)	(H)	-	88.0	84.5
Tuesday, February 24	10:00 AM	WHOLESALE INVENTORIES M/M	(Dec)	(L)	-	-	0.2%
Tuesday, February 24	8:00 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Tuesday, February 24	9:00 AM	Speaker: Susan M. Collins (Boston) (Non-Voter)	-	-	-	-	-
Tuesday, February 24	9:00 AM	Speaker: Raphael W. Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Tuesday, February 24	9:10 AM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Tuesday, February 24	9:35 AM	Speaker: Lisa D. Cook (Governor) (Voter)	-	-	-	-	-
Tuesday, February 24	3:15 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter) & Susan M. Collins (Boston) (Non-Voter)	-	-	-	-	-
Wednesday, February 25	-	AUCTION: 2-YR FRN \$28B	-	-	-	-	-
Wednesday, February 25	-	AUCTION: 5-YR TREASURIES \$70B	-	-	-	-	-
Wednesday, February 25	7:00 AM	MBA-APPLICATIONS	(Feb 20)	(L)	-	-	2.8%
Wednesday, February 25	10:40 AM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Thursday, February 26	-	AUCTION: 7-YR TREASURIES \$44B	-	-	-	-	-
Thursday, February 26	8:30 AM	INITIAL CLAIMS	(Feb 21)	(M)	-	-	206K
Thursday, February 26	8:30 AM	CONTINUING CLAIMS	(Feb 14)	(L)	-	-	1869K
Thursday, February 26	10:00 AM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Friday, February 27	8:30 AM	PPI M/M	(Jan)	(M)	0.2%	0.3%	0.5%
Friday, February 27	8:30 AM	PPI M/M (core)	(Jan)	(M)	0.2%	0.3%	0.7%
Friday, February 27	8:30 AM	PPI Y/Y	(Jan)	(M)	-	-	3.0%
Friday, February 27	8:30 AM	PPI Y/Y (core)	(Jan)	(M)	-	-	3.3%
Friday, February 27	9:45 AM	CHICAGO PMI	(Feb)	(M)	-	52.5	54

## Week Ahead's market call

by Avery Shenfeld

In the **US**, with no major releases on tap, earnings news and geopolitics could be the drivers for markets. We're likely to see a White House response to the Supreme Court tariff ruling, including possible substitute tariffs. The President has suggested that he might wait a further week before calling off the dogs of war in Iran or launching what's likely to be an aerial assault, with the price of oil having room to swing sharply in either direction depending on the outcome. We have a crowded slate of Fed speakers, and expect their tone to be supportive for our forecast of holding steady for now, as slowing growth signals are offset by sticky inflation, but open to easing ahead if, as we expected, inflation sees some cooling.

In **Canada**, it won't be a surprise to either markets or the Bank of Canada if Q4 GDP shows a slight negative, but it underscores that we need to see a return to growth in Q1 for the central bank to stick with its "on hold" stance. The flash GDP estimate for January will give the first clues on what lies ahead, and while the news there will be mixed (including soft housing activity), a sharp rebound in January retail sales suggests that consumers, a source of Q4 weakness, could be key to a rebound in the economy to start the year.

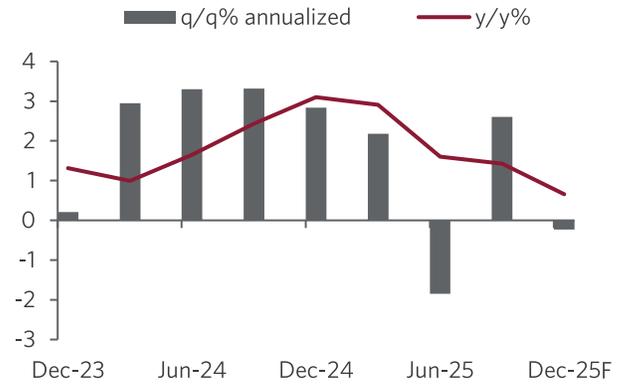
## Week Ahead's key Canadian number: GDP— Q4 and December

(Friday, 8:30 am)

Andrew Grantham [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.1	0.1	0.0
GDP annualized	-0.2	-0.4	2.6

Chart: Canadian real GDP



Source: Statistics Canada, Haver Analytics, CIBC

Canadian GDP may have taken a small step backwards in the fourth quarter, and net trade isn't expected to be the culprit. Indeed, with export volumes rebounding slightly from previous lows, despite some tariff increases in areas such as lumber, they may be a modest positive contributor. Instead, weakness will likely show up in the form of further weakness in consumer goods spending, a slip back in residential investment and slower inventory accumulation. While final domestic demand may have risen, growth is expected to be only modest.

Monthly data is likely to show a small 0.1% advance for December, while the flash GDP estimate for January will see a lift from strong retailing offset by softness in home sales and adverse weather in central Canada.

**Forecast Implications—** A slight contraction in Q4 GDP and a poor start to 2026 may increase market bets for interest rate cuts by mid-year. However, policymakers are still attributing much of the weakness in GDP to structural factors, and because of that next month's labour market data will likely be more important in determining if further rate cuts may be in the cards.

**There are no major US data releases next week.**

## Contacts:

Avery Shenfeld  
[avery.shenfeld@cibc.com](mailto:avery.shenfeld@cibc.com)

Benjamin Tal  
[benjamin.tal@cibc.com](mailto:benjamin.tal@cibc.com)

Andrew Grantham  
[andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

Ali Jaffery  
[ali.jaffery@cibc.com](mailto:ali.jaffery@cibc.com)

Katherine Judge  
[katherine.judge@cibc.com](mailto:katherine.judge@cibc.com)

CIBC Capital Markets  
PO Box 500  
161 Bay Street, Brookfield Place  
Toronto, Canada, M5J 2S8  
[Bloomberg @ CIBC](#)

[economics.cibccm.com](http://economics.cibccm.com)

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