Economics

THE WEEK AHEAD

September 8 - 12, 2025

Fed independence: who's worried, who's not

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

Economists, particularly those in academia, have been increasingly vocal about the risks to Fed independence. They have a point. Central bank independence has proven to be important in preventing monetary authorities from generating a short term growth pop for the benefit of the current government at the expense of protracted inflation later, or worse, from a deliberate monetization of the debt to inflate it away. But who isn't worried about that risk these days? Investors in US fixed income markets.

That's apparent in market pricing. Yes, our call and the market's expectation for a rate cut this month, despite inflation running well above target, likely reflect a judgement that political pressures from the White House might be slightly advancing the timetable for a policy ease. If not for that pressure, we might have stuck with our prior call for the Fed to wait until October, although today's payrolls data made a September easing defensible on purely economic grounds.

But the market shows no fear that policy will diverge too far from what economic conditions might dictate. Futures markets are projecting a 3% fed funds rate by next summer. That's a country mile from the aggressive rate cuts that the President is asking for, and actually only a tad more easing than what our own forecast, based solely on economics rather than politics, has called for. It would still leave overnight rates within the margin of error on our estimate of where the neutral rate lies.

If the market feared that politics, rather than economics, was driving the bus, the long end of the curve would be sharply selling off as it priced-in a sustained escalation of inflation. That's not happening. Sure, the 10-year term premium is higher that it was in the period after the global financial crisis. But it isn't elevated compared to where it stood in the years prior to that deep recession, and if anything, looks light given the large deficits that need to be funded. The USD is off its highs against other majors, but isn't looking like tomorrow's Argentine peso, in the kind of slide that would be associated with monetary policy recklessness.

On our part, we share the market's view that a generally responsible central bank is still the most likely outcome. For all the talk about Trump appointees potentially gaining a majority the Fed's Board, let's remember that the last "dot plot" from an FOMC that already has two such appointees showed no recommendations for a rate lower than 2.75%.

We do have more concern about recent remarks made by some of those on Trump's long-list for the next Fed Chair. But some of those comments might simply be lobbying for the job, knowing that Trump will want to pick a dove. Others might in fact be too extreme to gain Senate confirmation. Senators who expressed doubts about the President's cabinet picks, including the Health Secretary, ultimately approved them. But in Trump's first term, the Senate, including some GOP members, gave thumbs down to Fed nominees Judy Shelton, Herman Cain, and Stephen Moore.

Some of the market's and our own reassurance lies in the market itself. Remember that the President, as a real estate investor, knows that it's long term rates that count. The bond market would be quick to discipline the central bank by pushing long rates up if the easing at the front end became too aggressive. That would likely prove to be an important stop sign for the Fed.

All that said, we're going to keep an eye on the Fed nomination process in the month's ahead. Economists are nearly 100% in agreement that there are material risks in a politicized Fed, and it's a risk to our forecasts for yields, the US dollar and inflation. But investors can hold only one portfolio, and as forecasters, we can print only one set of tables, and for now we'll base those calls on what a rational central bank would do.

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, September 8	-	-	-	-	-	-	-
Tuesday, September 9	-	AUCTION: 3-M BILLS $15.8B, 6-M BILLS $5.6B, 1-YR BILLS $5.6B	-	-	-	-	-
Wednesday, September 10	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Thursday, September 11	-	-	-	-	-	-	-
Friday, September 12	8:30 AM	BUILDING PERMITS M/M	(Jul)	(M)	-	-	-9.0%
Friday, September 12	8:30 AM	CAPACITY UTILIZATION	(2Q)	(L)	-	78.9%	80.1%

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, September 8	3:00 PM	CONSUMER CREDIT	(Jul)	(L)	-	$10.0B	$7.4B
Tuesday, September 9	-	AUCTION: 3-YR TREASURIES $58B	-	-	-	-	-
Tuesday, September 9	7:00 AM	MBA-APPLICATIONS	(Sep 5)	(L)	-	-	-1.2%
Tuesday, September 9	8:30 AM	PPI M/M	(Aug)	(M)	0.4%	0.3%	0.9%
Tuesday, September 9	8:30 AM	PPI M/M (core)	(Aug)	(M)	0.4%	0.3%	0.9%
Tuesday, September 9	8:30 AM	PPI Y/Y	(Aug)	(M)	-	-	3.3%
Tuesday, September 9	8:30 AM	PPI Y/Y (core)	(Aug)	(M)	-	-	3.7%
Tuesday, September 9	10:00 AM	WHOLESALE INVENTORIES M/M	(Jul)	(L)	-	-	0.2%
Wednesday, September 10	-	AUCTION: 10-YR TREASURIES $39B	-	-	-	-	-
Thursday, September 11	-	AUCTION: 30-YR TREASURIES $22B	-	-	-	-	-
Thursday, September 11	8:30 AM	INITIAL CLAIMS	(Sep 6)	(M)	-	-	237K
Thursday, September 11	8:30 AM	CONTINUING CLAIMS	(Aug 30)	(L)	-	-	1940K
Thursday, September 11	8:30 AM	CPI M/M	(Aug)	(H)	0.3%	0.3%	0.2%
Thursday, September 11	8:30 AM	CPI M/M (core)	(Aug)	(H)	0.3%	0.3%	0.3%
Thursday, September 11	8:30 AM	CPI Y/Y	(Aug)	(H)	2.9%	2.9%	2.7%
Thursday, September 11	8:30 AM	CPI Y/Y (core)	(Aug)	(H)	3.1%	3.1%	3.1%
Thursday, September 11	2:00 PM	FED BUDGET BALANCE	(Aug)	(L)	-	-	-$380.1B
Friday, September 12	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Sep P)	(H)	-	59.3	58.2

Week Ahead's market call

by Avery Shenfeld

In the **US**, PPI could see another more heated increase, but the focus will quickly shift to the more important CPI figures. There, the data will continue to show that inflation is running above the central bank's objectives, but in the face of a softening labour market, that's not going to be enough to dissuade the Fed from a quarter point rate cut this month. Indeed, it seems more likely that we'll see two successive cuts as the Fed demonstrates that it's paying attention to its full employment mandate, before it feels free to pause in December so that it can assess the risks to its inflation target.

In **Canada**, a nearly blank economic calendar could see politics more in focus as parliament gets back into gear. The government hasn't waited for an October budget to announce measures aimed at bolstering sectors most heavily hit by tariffs. Less certain is when we might get more definitive signals on ongoing discussions between the US and Canada about those sectoral tariffs, which could yield some easing for aluminum and perhaps some modest adjustments in the auto sector.

There are no major Canadian data releases next week.

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

(Thursday, 8:30 am)

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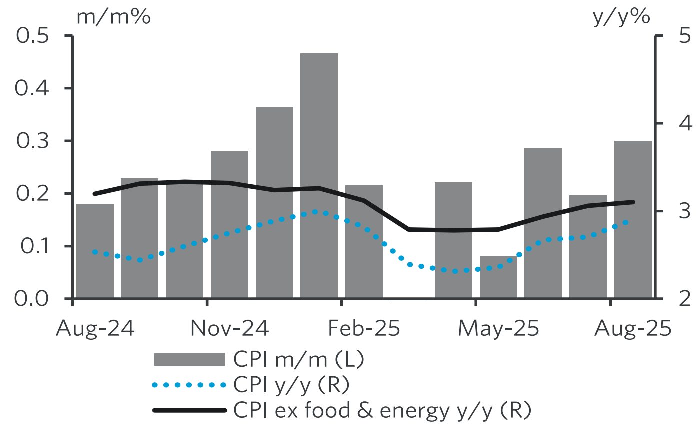
Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.3	0.3	0.2
Headline CPI (y/y)	2.9	2.9	2.7
Core CPI (m/m)	0.3	0.3	0.3
Core CPI (y/y)	3.1	3.1	3.1

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

We expect headline and core inflation to come in at 0.3% m/m. Core goods prices (excluding cars) will continue to rise but that will be partially offset by modest service price pressures, especially as the non-shelter component cools down after a medical services spike in August. The big question for inflation now is when will tariffs start to hit the sticker prices of new cars. Judging by recent statements by executives at the major carmakers, that seems unlikely to show up in the September CPI report. Companies have been absorbing the costs of tariffs and that could continue for a few more months, and then the pass-through to consumers could be gradual once that process begins. That means the peak tariff impact on inflation is likely coming in the first half of next year.

Forecast implications — This report will also imply a 0.3% m/m for the Fed's preferred inflation gauge, core PCE.

Market implications — We're aligned with the consensus and the data should retain market expectations for back to back Fed cuts in September and October.

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