

Economics

THE WEEK AHEAD

February 16 - 20, 2026

The basis for our base case on trade

by Avery Shenfeld avery.shenfeld@cibc.com

What's the basis for the base case on American trade policy in our Canadian forecast? That outlook envisages that the bulk of Canada's US-bound exports not currently subject to sectoral tariffs largely retains that status ahead. Of course, that's no certainty, but a base case always depicts the most likely outcome among a range of possibilities. With the President mulling over an exit from the USMCA, and publicly ranting about Canadian unfairness, where does our cautious optimism lie?

First, we're setting aside that White House rhetoric, because we've seen that movie before. Go back to the days when NAFTA was at risk in Trump's first term, and there were headlines about the US ditching Canada for a bilateral deal with Mexico, and other scare stories, right up until the USMCA was signed.

There are also more paths that would generally line up with our base case, versus only one clear path that could be much harsher, in which the US invokes its right to withdraw from USMCA on six month's notice. In the best case, the review process would see the parties agree to extend this deal, or a moderately amended version, beyond its current 2036 end date. While the legalities have some gray areas, Congress might have to approve major amendments that would impose broader tariffs on Canadian goods qualifying for the USMCA. Trump could invoke the USMCA's sunset clause, but that would leave the deal in place until 2036. The tripartite review process could fail to reach a definitive conclusion, which would leave the deal in place but subject to annual reviews until 2036.

There's even a not-so-bad outcome possible if the US withdraws from the USMCA. Should the Supreme Court strike down the President's authority to impose broad fentanyl and reciprocal tariffs, and Congress refuse to extend the duration of an alternative "balance of payments crisis" tariff beyond 150 days, the most-favoured-nations tariffs that would apply on Canadian exports would generally be minimal.

We might also take some comfort in the wisdom of crowds. If investors were collectively betting on an adverse outcome with high tariffs on Canada, they would not be pricing in an

unchanged Canadian overnight rate this year. The Bank of Canada's "on hold" policy, and its January 2026 monetary policy report forecast, are explicitly based on an assumption that current tariff levels remain in place.

Then there's the work being done by US Trade Representative Jamieson Greer. While he's complained about Canada being "difficult", we heard the same talk when the USMCA was negotiated in Trump's first term. The specific points the USTR office has listed as concerns it wants to address with Canada in this round, don't look to be deal-breakers, and are likely ones where there's elbow room for some concessions, even if the federal government might have to compensate affected farmers if supply management is loosened further. Canada also has some leverage in these talks, particularly given US interests in locking down critical mineral supplies and in continental defense cooperation.

Greer, and others in the administration, have also heard a lot of support for a trade deal extension from US business groups. More recently, polls show American voters are also broadly in favor of retaining liberalized trade with Canada. That's being reflected in Congress, where even some Republicans in the House and Senate are lining up against broad based tariffs. That could awaken the White House to political risks in upcoming midterm elections if they take too hard a stance in the USMCA talks and the deal falls apart, as tariffs will feed into voter concerns over "affordability".

Still, even those outcomes that avoid a collapse of the USMCA, or otherwise avoids further tariffs, will leave businesses with a troubling degree of uncertainty about what lies ahead. In 2025, Trump seemed prepared to ignore the USMCA when he announced a 25% tariff on all non-energy Canadian exports. The White House retains the right to withdraw from the deal at any time. Tariff free access will be a plus for export growth from existing Canadian plants, but these remaining doubts will be a headwind for goods sector capital spending aimed at expanding capacity, particularly for those products where domestic markets or those overseas are less of a viable alternative to US markets.

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 16	-	Markets Closed (Ontario Family Day)	-	-	-	-	-
Monday, February 16	8:15 AM	HOUSING STARTS SAAR	(Jan)	(M)	255.0K	265.0K	282.4K
Monday, February 16	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Dec)	(M)	0.5%	0.5%	-1.2%
Tuesday, February 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(Dec)	(M)	-	-	\$16.3B
Tuesday, February 17	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Dec)	(M)	2.0%	2.0%	-1.8%
Tuesday, February 17	8:30 AM	CPI M/M	(Jan)	(H)	0.1%	0.1%	-0.2%
Tuesday, February 17	8:30 AM	CPI Y/Y	(Jan)	(H)	2.4%	2.4%	2.4%
Tuesday, February 17	8:30 AM	Consumer Price Index	(Jan)	(M)	-	-	165
Tuesday, February 17	8:30 AM	CPI Core- Median Y/Y%	(Jan)	(M)	2.5%	2.5%	2.5%
Tuesday, February 17	8:30 AM	CPI Core- Trim Y/Y%	(Jan)	(M)	2.6%	2.6%	2.7%
Tuesday, February 17	-	BC budget	-	-	-	-	-
Wednesday, February 18	-	AUCTION: 5-YR CANADAS \$5.25B	-	-	-	-	-
Wednesday, February 18	5:00 AM	EXISTING HOME SALES M/M	(Jan)	(M)	-	-	-2.7%
Thursday, February 19	8:30 AM	MERCHANDISE TRADE BALANCE	(Dec)	(H)	-\$1.5B	-\$2.0B	-\$2.2B
Friday, February 20	8:30 AM	RETAIL TRADE TOTAL M/M	(Dec)	(H)	-0.5%	-0.5%	1.3%
Friday, February 20	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Dec)	(H)	-0.8%	0.1%	1.7%
Friday, February 20	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Jan)	(M)	-	0.2%	-0.6%
Friday, February 20	8:30 AM	RAW MATERIALS M/M	(Jan)	(M)	-	0.6%	0.5%
Friday, February 20	10:30 AM	Release: Senior Loan Officer Survey	-	-	-	-	-

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 16	-	Markets Closed (President's Day)	-	-	-	-	-
Monday, February 16	8:25 AM	Speaker: Bowman (Governor) (Voter)	-	-	-	-	-
Tuesday, February 17	8:30 AM	NEW YORK FED (EMPIRE)	(Feb)	(M)	-	8.7	7.7
Tuesday, February 17	10:00 AM	NAHB HOUSING INDEX	(Feb)	(L)	-	-	37
Tuesday, February 17	12:45 PM	Speaker: Barr (Governor) (Voter)	-	-	-	-	-
Tuesday, February 17	2:30 PM	Speaker: Daly (San Francisco) (Non-Voter)	-	-	-	-	-
Wednesday, February 18	-	AUCTION: 20-YR TREASURIES \$16B	-	-	-	-	-
Wednesday, February 18	7:00 AM	MBA-APPLICATIONS	(Feb 13)	(L)	-	-	-0.3%
Wednesday, February 18	8:30 AM	DURABLE GOODS ORDERS M/M	(Dec P)	(H)	-2.5%	-1.7%	5.3%
Wednesday, February 18	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Dec P)	(H)	0.2%	0.3%	0.4%
Wednesday, February 18	8:30 AM	HOUSING STARTS SAAR	(Dec)	(M)	1300K	1325K	-
Wednesday, February 18	8:30 AM	BUILDING PERMITS SAAR	(Dec P)	(H)	1350K	1420K	-
Wednesday, February 18	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Jan)	(H)	0.2%	0.4%	0.4%
Wednesday, February 18	9:15 AM	CAPACITY UTILIZATION	(Jan)	(M)	76.0%	76.5%	76.3%
Wednesday, February 18	10:00 AM	LEADING INDICATORS M/M	(Jan)	(M)	-	-	-0.3%
Wednesday, February 18	2:00 PM	FOMC Meeting Minutes	(Jan 28)	-	-	-	-
Wednesday, February 18	4:00 PM	TOTAL NET TIC FLOWS	(Dec)	(L)	-	-	\$212.0B
Thursday, February 19	-	AUCTION: 30-YR TIPS \$9B	-	-	-	-	-
Thursday, February 19	8:30 AM	INITIAL CLAIMS	(Feb 14)	(M)	-	-	227K
Thursday, February 19	8:30 AM	CONTINUING CLAIMS	(Feb 7)	(L)	-	-	1862K
Thursday, February 19	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Dec)	(M)	-	-\$85.1B	-\$84.7B
Thursday, February 19	8:30 AM	WHOLESALE INVENTORIES M/M	(Dec P)	(L)	-	-	0.2%
Thursday, February 19	8:30 AM	RETAIL INVENTORIES M/M	(Dec)	(H)	-	-	-
Thursday, February 19	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Feb)	(M)	-	7.7	12.6
Thursday, February 19	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Dec)	(H)	-	-\$55.5B	-\$56.8B
Thursday, February 19	10:00 AM	PENDING HOME SALES M/M	(Jan)	(M)	-	2.5%	-9.3%
Thursday, February 19	8:20 AM	Speaker: Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Thursday, February 19	9:00 AM	Speaker: Kashkari (Minneapolis) (Voter)	-	-	-	-	-
Thursday, February 19	10:30 AM	Speaker: Goolsbee (Chicago) (Non-Voter)	-	-	-	-	-
Friday, February 20	8:30 AM	PCE DEFLATOR Y/Y	(Dec)	(H)	-	2.8%	2.8%
Friday, February 20	8:30 AM	PCE DEFLATOR Y/Y (core)	(Dec)	(H)	-	2.9%	2.8%
Friday, February 20	8:30 AM	PERSONAL INCOME M/M	(Dec)	(H)	-	0.3%	0.3%
Friday, February 20	8:30 AM	PERSONAL SPENDING M/M	(Dec)	(H)	-	0.4%	0.5%
Friday, February 20	8:30 AM	GDP (annualized)	(4Q A)	(H)	2.4%	2.8%	4.4%
Friday, February 20	8:30 AM	GDP DEFLATOR (annualized)	(4Q A)	(H)	2.0%	-	3.8%
Friday, February 20	9:45 AM	S&P GLOBAL US SERVICES PMI	(Feb P)	(L)	-	-	52.7
Friday, February 20	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Feb P)	(L)	-	-	53.0
Friday, February 20	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Feb P)	(L)	-	-	52.4
Friday, February 20	10:00 AM	NEW HOME SALES SAAR	(Dec)	(M)	-	735K	-
Friday, February 20	10:00 AM	NEW HOME SALES M/M	(Dec)	(M)	-	-0.3%	-
Friday, February 20	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Feb)	(H)	-	56.9	57.3
Friday, February 20	9:45 AM	Speaker: Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Friday, February 20	1:15 PM	Speaker: Logan (Dallas) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, we see Q4 GDP coming in a shade under 2½%, with consumption running slightly above that pace. That's lighter than the Atlanta Fed's model projection, held back by the hit from the government shutdown, and perhaps a softer inventory figure that would be more consistent with the combination of healthy spending but weak imports. The brisk pace for Q4 says a bit less about what we might see in Q1, since consumption ended on a softer note judging by November/December retail sales, although January's job gains were encouraging if they weren't just a bounce back from very soft prior months. February 20th is the next possible date for a Supreme Court ruling on tariffs.

In **Canada**, the various CPI measures should point to a 12-month underlying inflation rate still in the 2½% range, not nearly far enough above target to bring on any discussion of a rate hike given all the uncertainties surrounding economic growth ahead. November's healthy retail sales gain might have eaten into the room for further spending in the week ahead's data for December. BC kicks off the provincial budget season, one that we expect will show that, collectively, provinces are reluctant to turn the dial up on fiscal stimulus as they keep an eye on deficits. That's a message that BC Premier Eby has underscored in talking about cuts in that province's public service headcount.

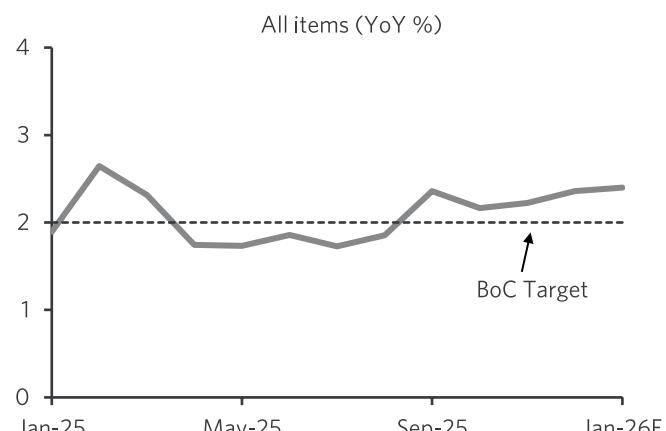
Week Ahead's key Canadian number: Consumer price index—January

(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.1	0.1	-0.2
CPI (y/y)	2.4	2.4	2.4

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Headline inflation likely entered a holding pattern in January, with the 2.4% pace unchanged from the prior month. The 0.1% monthly increase in the unadjusted index would represent a trend-like 0.2% after seasonal adjustment. While gasoline prices were broadly flat on the month, food prices likely added to inflation once again. Core prices are expected to have risen by 0.2% m/m, broadly in line with the average of the prior two months which were impacted by volatility in airline fares. On an annual basis measures of core inflation should continue to ease, driven in large part by a softening in shelter inflation.

Forecast Implications — Measures of underlying inflation are easing closer to 2%, and headline inflation could, temporarily, dip slightly below that mark in the coming months as last year's GST cut falls out of the annual comparison. However, inflation isn't on its own slow enough to justify further rate cuts, and we continue to see no change in interest rates this year.

Other Canadian releases: Retail sales—December

(Friday, 8:30 am)

Retail sales likely fell by 0.5% in December, to partly erase the gain seen in November. That will partly reflect lower gasoline prices, and because of that the figures may look a little better in volume terms. For January's advance estimate, worse than normal winter weather in Ontario may have restricted sales in some areas.

International trade—December

(Thursday, 8:30am)

Despite a dip in oil prices during the month, Canada's trade deficit with the world may have narrowed in December. The volume of oil headed to the US increased, and advance manufacturing data suggests auto exports may have recovered slightly after parts shortages (coming on top of the tariff impact) led to a slump in November. We expect a shortfall of \$1.5bn for December.

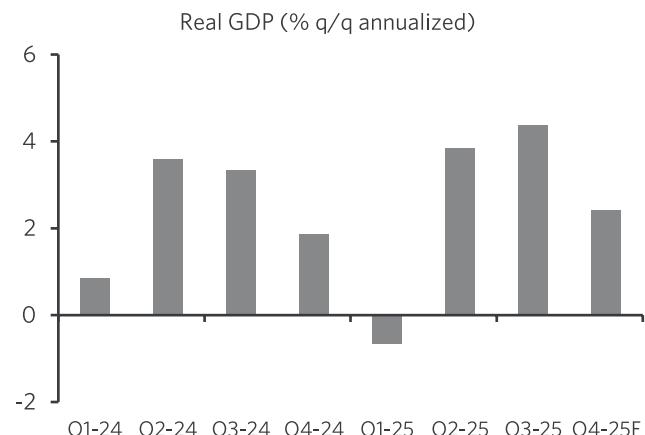
Week Ahead's key US number: GDP—4Q

(Friday, 8:30am)

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Variable (%)	CIBC	Mkt	Prior
GDP q/q annualized	2.4	2.8	4.4
GDP deflator	2.0	-	3.8

Chart: US GDP



Source: BEA, Haver Analytics, CIBC

Q4 GDP will be center stage next week and growth should be solid but below the sizzling pace of the last two quarters. We expect growth of 2.4%, as there should be a material drag from the government shutdown and inventories. With imports weak and durable goods consumption strong, inventories has to be a balancing factor in this equation, although measurement issues mean we may not know exactly for quite some time, as the advanced release can be revised significantly over time. Investment growth should slow as software expenditure can't sustain such high growth rates, but will still remain above average.

Forecast implications — We expect growth in 26Q1 to look similar to 25Q3, slightly above 2%. But the composition will be different, as consumption momentum was softening by the end of Q4 and the government back up and running (and with fewer job losses) will see a larger than normal contribution.

Market impact — The divergence between GDP and job market over the last several years has made activity data a little less important to the Fed, even though it has probably been a better read of where the actual economy sits. Markets won't sweat a major surprise on either direction, keeping their focus on jobs and inflation.

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