Economics

THE WEEK AHEAD

August 11 - 15, 2025

The AI boom is more than in stocks

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

There are few who doubt that artificial intelligence will play a major economic role in the years ahead. But history shows that the successful adoption of a new technology doesn't translate into financial success for all its early players, and can even entail economic risks as we move through the investment phase of its development.

That's of concern because of the outsized role that AI firms are playing in both the US equity market and in recent economic growth. So if evidence subsequently shows we've gone overboard in either AI project spending or stock valuations, it would have both real economy and financial market consequences.

Today's AI boom isn't another dot-com bubble, for those who remember the days where companies with mega-billion stock valuations had trivial revenues and no profits. AI players include large, well-financed companies that in many cases already have a solid revenue base in the tech space. Nor is this akin to the fate of tech busts like Google Glass or the Palm Pilot, which either never really caught on or proved a short-lived flash in the pan. Users are already broadly deploying AI tool kits, suggesting that this will be a durable trend.

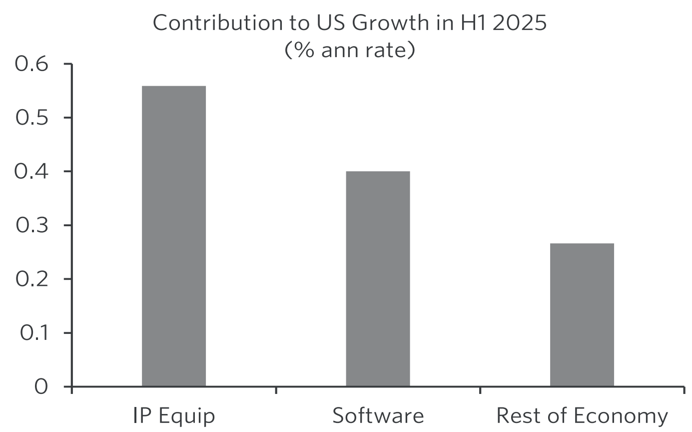
But two other analogies from our past are more relevant, and still tell a cautionary tale about the potential for a gap between technological success and market or economic outcomes. The source of the trouble was the same in both cases: when there's uncertainty about which companies will win which share of the profit pie, there's no market mechanism to ensure that the sum of those investor expectations can't exceed 100% of the profits. As a result, companies can end up raising, and spending, a sum greater than what would be justified by the returns available to be had.

Cell phones have durably conquered the world, and earned some companies massive profits. But in the pursuit of that gold mine, there were numerous empty holes that were drilled. For every Apple and Samsung, there were several others who at one time had sizeable market shares and equity valuations that fell by the wayside. Similarly, fibre optic networks carry ever growing traffic, but a gold rush in telecom capital spending led to disappointing results for investors in many of the participating service companies and their equipment providers.

While they created an equity bubble, the dot-com companies that failed never generated much of an economic impact, having sometimes been started with a few programmers and some bean bag chairs. In contrast, today's tech boom entails massive capital spending on equipment and related software. So much so, in fact, that investment in information processing equipment and software accounted for nearly all of the US economy's first half growth (Chart). While that's an overstatement due to front running of tariffs and the imported content in IP equipment, the AI boom entails big economic numbers. The top four tech companies are reported to be spending some $400 bn on AI investments in a single year, or about 1% of US GDP.

We're unlikely to see the AI spending boom dry up any time soon, given all the software, data centre and power projects on the drawing boards. But if the competition for market share means that we're overshooting what would ultimately be profitable investment in aggregate, at some point, both the economy, and the equities market, will feel the pain of a pull back that would offset some of the benefits from AI implementation. Bring on the AI party, but hope that it doesn't leave us with an equity or economic hangover if we end up partying a bit too hard along the way.

Chart: Economy leaned on AI-linked spending



Source: US 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, August 11	10:30 AM	Release: Market Participants Survey	-	-	-	-	-
Tuesday, August 12	-	AUCTION: 3-M BILLS $16.4B, 6-M BILLS $5.8B, 1-YR BILLS $5.8B	-	-	-	-	-
Tuesday, August 12	8:30 AM	BUILDING PERMITS M/M	(Jun)	(M)	-	-	12.0%
Wednesday, August 13	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Thursday, August 14	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Friday, August 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Jun)	(M)	0.4%	0.4%	-0.9%
Friday, August 15	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Jun)	(M)	0.7%	-	0.1%
Friday, August 15	9:00 AM	EXISTING HOME SALES M/M	(Jul)	(M)	-	-	2.8%

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 11	-	-	-	-	-	-	-
Tuesday, August 12	8:30 AM	CPI M/M	(Jul)	(H)	0.2%	0.2%	0.3%
Tuesday, August 12	8:30 AM	CPI M/M (core)	(Jul)	(H)	0.2%	0.3%	0.2%
Tuesday, August 12	8:30 AM	CPI Y/Y	(Jul)	(H)	2.7%	2.8%	2.7%
Tuesday, August 12	8:30 AM	CPI Y/Y (core)	(Jul)	(H)	3.0%	3.0%	2.9%
Tuesday, August 12	2:00 PM	FED BUDGET BALANCE	(Jul)	(L)	-	-	$27.0B
Tuesday, August 12	10:00 AM	Speaker: Thomas I. Barkin (Richmond) (Voter)	-	-	-	-	-
Tuesday, August 12	10:30 AM	Speaker: Jeffrey Schmid (Kansas City)	-	-	-	-	-
Wednesday, August 13	7:00 AM	MBA-APPLICATIONS	(Aug 8)	(L)	-	-	3.1%
Wednesday, August 13	12:01 AM	Speaker: Thomas I. Barkin (Richmond) (Voter)	-	-	-	-	-
Wednesday, August 13	1:00 PM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Wednesday, August 13	1:30 PM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-
Thursday, August 14	8:30 AM	INITIAL CLAIMS	(Aug 9)	(M)	-	-	226K
Thursday, August 14	8:30 AM	CONTINUING CLAIMS	(Aug 2)	(L)	-	-	1974K
Thursday, August 14	8:30 AM	PPI M/M	(Jul)	(M)	0.2%	0.2%	0.0%
Thursday, August 14	8:30 AM	PPI M/M (core)	(Jul)	(M)	0.2%	0.2%	0.0%
Thursday, August 14	8:30 AM	PPI Y/Y	(Jul)	(M)	-	2.5%	2.3%
Thursday, August 14	8:30 AM	PPI Y/Y (core)	(Jul)	(M)	-	3.0%	2.6%
Thursday, August 14	2:00 PM	Speaker: Thomas I. Barkin (Richmond) (Voter)	-	-	-	-	-
Friday, August 15	8:30 AM	RETAIL SALES M/M	(Jul)	(H)	0.6%	0.5%	0.6%
Friday, August 15	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Jul)	(H)	0.6%	0.3%	0.5%
Friday, August 15	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Jul)	(H)	0.5%	0.3%	0.5%
Friday, August 15	8:30 AM	NEW YORK FED (EMPIRE)	(Aug)	(M)	-	-1.0	5.5
Friday, August 15	8:30 AM	IMPORT PRICE INDEX M/M	(Jul)	(L)	-	0.0%	0.1%
Friday, August 15	8:30 AM	EXPORT PRICE INDEX M/M	(Jul)	(L)	-	0.0%	0.5%
Friday, August 15	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Jul)	(H)	0.1%	0.0%	0.3%
Friday, August 15	9:15 AM	CAPACITY UTILIZATION	(Jul)	(M)	77.6%	77.6%	77.6%
Friday, August 15	10:00 AM	BUSINESS INVENTORIES M/M	(Jun)	(L)	-	0.2%	0.0%
Friday, August 15	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Aug P)	(H)	-	62.1	61.7
Friday, August 15	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Jun)	(L)	-	-	$259.4B

Week Ahead's market call

by Avery Shenfeld

In the **US**, while we expect tariffs to provide some heat to inflation in the months ahead, for July that will be buried in some of the details rather than the headline or core tallies. Soft service prices could provide a cushion, and in autos and other goods, inventories of imported goods shipped ahead of the tariffs will mean that the scarier numbers still lie ahead. A 0.2% core CPI reading would lend support for a September Fed cut. We'll also be watching for signs that some of the FOMC members who voted against a cut at the last meeting are altering their message in remarks in the week ahead, given the payrolls disappointments. Retail sales should be healthy enough to quiet outright recession chatter.

In **Canada**, the central bank could choose to characterize its "summary of deliberations" to lean just a touch more dovishly than how they sounded at the press conference on the day of the rate announcement, given what we've since learned about US growth (looking weaker after payrolls) and Canadian employment. Flash estimates suggested that factory shipments and wholesaling saw a bounce in June, but in the case of the former, it wouldn't have been that impressive in real terms.

There are no major Canadian data releases next week.

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

(Tuesday, 8:30 am)

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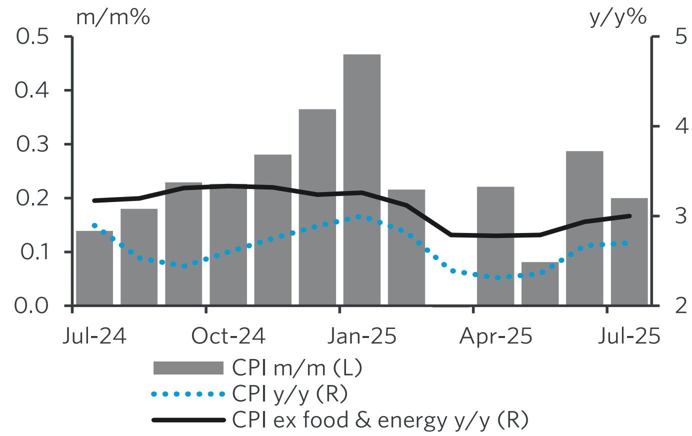
Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.2	0.2	0.3
Headline CPI (y/y)	2.7	2.8	2.7
Core CPI (m/m)	0.2	0.3	0.2
Core CPI (y/y)	3.0	3.0	2.9

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

We expect headline and core inflation to come in at 0.2% m/m, a tick below consensus. Tariffs should continue to show up in most core goods categories, but soft auto prices will likely continue to mask part of the impact. Higher car prices will take time to materialize, likely in the summer and fall when 2026 models start to arrive at dealerships. However, the main force keeping core inflation subdued will be weak shelter inflation. With foreign tourism grinding down and concerns about the economy weighing on domestic travel, hotel prices will remain very weak, and both rent and OER should continue to edge down, keeping shelter inflation around June's levels.

Forecast implications — While we expect at 0.2% m/m in Core CPI, that should translate into a 0.3% rise in core PCE prices, reflecting elevated core goods and services excluding shelter.

Market implications — We're a tick below the consensus, and that could firm up bets for September.

Other US Releases: Retail sales—July

(Friday, 8:30 am)

Retail sales should surprise on the upside as high-frequency credit card data points to strong spending in July, particularly in discretionary categories. While the job market has cooled, spending power has held up. Wage growth has been strong and sentiment has also improved a bit. We expect total retail sales to come in at 0.5% m/m and the control group to gain 0.5% in July.

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