THE WEEK AHEAD

September 21 - 25, 2026

This won't hurt a bit

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

As they raised interest rates, the Fed's message to Americans could be boiled down to this: "don't worry, this won't hurt a bit". That was evident in what Kevin Warsh said in his press conference, which matched the consensus forecast of FOMC members, in opining that inflation is expected to decelerate back to the 2% target without generating any increase in unemployment.

Moreover, for the first time in history, every member of the FOMC said that the risks to US growth were either balanced, or tilted to the upside. That's despite the fact that they see greater uncertainty than usual, so it implies that the uncertainty is all about just how great the American economy will be next year.

That sunny view seems at odds with the fact that energy prices are up sharply, and much of the economic uncertainty surrounds the conflict in the Persian Gulf and the risks of a worsening supply shock. It also contrasts with how many individual Americans are feeling in recent weeks. They are still out there spending, but polls show that they are worried about ever rising fuel costs, and those looking to buy a home are well aware that mortgage rates have soared. Anyone in the homebuilding industry will know that those mortgage rates are putting downward pressure on sales and new construction.

It's also unusual for the Fed to project that it can cure inflation without generating an ounce of economic slack. GDP projections look consistent with running at potential growth or better, and unemployment rate forecasts also suggest that labour markets will remain near full employment. So the Fed is not counting on an output gap to provide the downward pressure on inflation, and is assuming that growth won't falter as it raises overnight rates, even with elevated bond yields.

We don't get a full picture of the FOMC's view of what lies ahead. With only a set of numbers on inflation, unemployment and growth to go on, we have to infer what the Fed must be assuming for this pain-free disinflation to become a reality.

On the growth side, the Fed is clearly counting on resilience in consumption and AI-related capital spending. They're going to need every bit of that, because other GDP components are already showing the impacts of elevated interest rates. Homebuilding is slowing, and business investment outside the AI-space has looked sluggish. AI capital spending does seem likely to grow at a slower pace ahead, in the face of regional resistance and bottlenecks in key components for new data centres, lags in adding to power supply, and of late, growing safety concerns.

So a lot is riding on consumers. The latest retail sales data showed we're starting from a solid pace, but energy cost hikes, in the absence of accelerating wage gains, look to be a headwind. That suggests that in both their growth and inflation forecasts, the Fed is counting on lower oil prices ahead, from some progress in getting tankers moving through the Straits. For the rest of the disinflation, we suspect the Fed is hopeful that AI will begin to generate meaningful productivity gains that lower business costs, and the end of a one-time inflation pass-through from tariffs.

These assumptions aren't far from our own views, with a few subtle differences. Unlike the Fed, we do expect to see a modest deceleration in growth and a bit of an upward bump in the jobless rate, emanating from the pressure of higher yields on interest sensitive sectors, and a lower growth contribution from AI capital spending. That will allow economic slack to do a bit of the work in cooling inflation pressures.

But we too are relying on a geopolitical resolution to the energy supply shock, the tariff pass through ending, and a cooling in shelter costs tied to sluggish demographic demand, to do most of the work. If we get all of this rolled up into one neat package, the Fed might end up hiking only once more, and it will likely need to start easing up on interest rates later next year to sustain full employment.

Where we differ most is on the risks to the growth projection. With no negotiations underway to end the Persian Gulf impasse, and some downside uncertainties about the pace of AI capital spending, we see growth risks tilted downward, and inflation risks from energy prices tilted higher. If those risks materialize, the Fed will have to raise rates further to meet their inflation objectives, and will no longer be able to claim that the American economy will feel no pain as it defends those targets.

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 21	11:30 AM	Speaker: Tiff Macklem (Governor)	-	-	-	-	-
Tuesday, September 22	-	AUCTION: 3-M BILLS $14.6B, 6-M BILLS $5.2B, 1-YR BILLS $5.2B	-	-	-	-	-
Wednesday, September 23	-	AUCTION: 10-YR CANADAS $5B	-	-	-	-	-
Thursday, September 24	-	AUCTION: 2-YR CANADAS $5.5B	-	-	-	-	-
Thursday, September 24	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Jul)	-	-	-	4.8K
Thursday, September 24	8:30 AM	RETAIL TRADE TOTAL M/M	(Jul)	(H)	-0.7%	-0.8%	0.6%
Thursday, September 24	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Jul)	(H)	-0.4%	-0.5%	0.5%
Friday, September 25	-	-	-	-	-	-	-

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 21	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Aug)	(M)	-	-0.1	-0.1
Monday, September 21	6:30 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Tuesday, September 22	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Tuesday, September 22	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Sep)	(M)	-	-	-10.6
Tuesday, September 22	10:00 AM	RICHMOND FED MANUF. INDEX	(Sep)	(M)	-	-	4.0
Tuesday, September 22	10:05 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Tuesday, September 22	10:20 AM	Speaker: Philip N. Jefferson (Governor) (Voter)	-	-	-	-	-
Tuesday, September 22	1:00 PM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Wednesday, September 23	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Wednesday, September 23	-	AUCTION: 2-YR FRN $28B	-	-	-	-	-
Wednesday, September 23	7:00 AM	MBA-APPLICATIONS	(Sep 18)	(L)	-	-	-4.1%
Wednesday, September 23	9:45 AM	S&P GLOBAL US SERVICES PMI	(Sep P)	(L)	-	56.0	56.5
Wednesday, September 23	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Sep P)	(L)	-	-	56.0
Wednesday, September 23	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Sep P)	(L)	-	53.6	53.9
Wednesday, September 23	10:05 AM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Thursday, September 24	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Thursday, September 24	8:30 AM	INITIAL CLAIMS	(Sep 19)	(M)	-	-	196K
Thursday, September 24	8:30 AM	CONTINUING CLAIMS	(Sep 12)	(L)	-	-	1730K
Thursday, September 24	8:30 AM	CURRENT ACCOUNT BALANCE	(2Q)	(L)	-	-	-$226.8B
Thursday, September 24	10:00 AM	NEW HOME SALES SAAR	(Aug)	(M)	-	615K	607K
Thursday, September 24	10:00 AM	NEW HOME SALES M/M	(Aug)	(M)	-	1.3%	-10.5%
Thursday, September 24	4:10 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Thursday, September 24	8:00 AM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Thursday, September 24	8:50 AM	Speaker: Beth M. Hammack (Cleveland) (Voter)	-	-	-	-	-
Thursday, September 24	10:10 AM	Speaker: Anna Paulson (Philadelphia) (Voter)	-	-	-	-	-
Thursday, September 24	10:10 AM	Speaker: 10:10 AM Anna Paulson (Philadelphia) (Voter)	-	-	-	-	-
Friday, September 25	8:30 AM	DURABLE GOODS ORDERS M/M	(Aug P)	(H)	-0.3%	-0.3%	1.1%
Friday, September 25	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Aug P)	(H)	0.6%	0.5%	0.4%
Friday, September 25	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Sep)	(H)	-	47.8	47.8
Friday, September 25	5:15 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Friday, September 25	2:00 PM	Speaker: Beth M. Hammack (Cleveland) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, it's a light week for data, with ex-transport durable goods orders likely to see gains tied to AI-related spending. Fed speakers won't have much scope to move markets, given that a follow-up hike seems highly probable, and what comes thereafter will depend on events, including those in the Persian Gulf, that the Fed can't be particularly sure of. The most likely market moving event will be Xi's visit to meet with Trump, with AI and trade issues both likely to come up.

In **Canada**, retail trade data for July could add to other indicators pointing to a cooling in growth after a Q2 bounce. Governor Macklem will no doubt sound quite hawkish in his remarks and press conference in Halifax, as he has to be in the face of escalating energy prices. But remember that he also had warned about the possibility of multiple rate hikes in the spring when crude prices were even higher, but ended up holding his fire. While a hike will certainly be discussed in October's meeting, we see the Bank opting to wait while it assesses where the economy is headed in the face of August's US tariff hikes.

Week Ahead's key Canadian number: Retail sales—July

(Thursday, 8:30 am)

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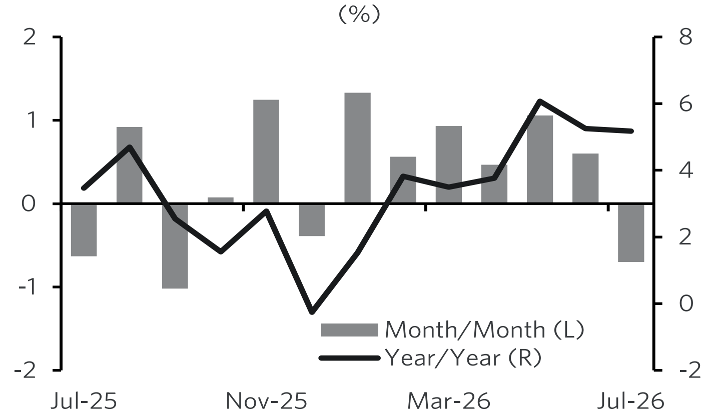
Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	-0.7	-0.8	0.6
Retail sales - ex-auto (m/m)	-0.4	-0.5	0.5

Chart: Canadian retail sales



Source: Statistics Canada, Haver Analytics, CIBC

Canadian retail sales look to have fallen moderately in nominal terms in July, with a larger decline likely in volume terms given the rise in gasoline prices seen during the month. Surges in clothing and general merchandise sales in the prior month, potentially boosted by FIFA World Cup related spending and government stimulus cheques, may have at least partially reversed.

Forecast implications — Consumer spending likely started Q3 on the backfoot following a strong second quarter, and recent increases in gasoline prices may have further restricted spending on more discretionary items. This fits in with other indicators that the Canadian economy was slowing again even before new tariffs came into effect in August, and suggests that the Bank of Canada should be cautious as to when and by how much it raises interest rates.

There are no major US data releases next week.

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