Economics

THE WEEK AHEAD

June 9 - 13, 2025

Not yet America's Minsky Moment

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

The thing about Hyman Minsky is that, by definition, nobody really expects his eponymous "Moment" until it happens. The American economist is famed for having modelled systems that appear to be a bastion of stability until they suddenly aren't, a theoretical development that then became all too real in the 2008 financial crisis. Now many are wondering if a mounting pile of government debt risks triggering a plunge in US Treasuries and the US dollar, citing widening term premia in the former, and the slippage in the latter in recent weeks as a signpost of trouble ahead.

But you can't call a gradual change in market pricing a Minsky Moment, since the term refers to a much larger and more abrupt collapse. That's hardly the case for what we're seeing in financial markets at this point.

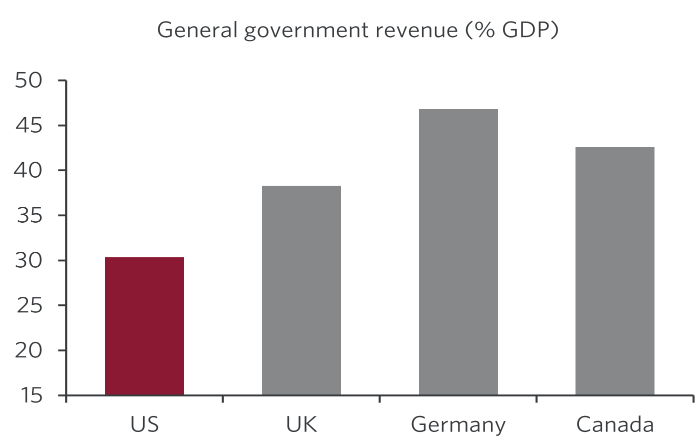
Take the US dollar's evident weakening trend. Let's not forget that this has come after a decade of appreciation that put the greenback at extremely lofty, and unlikely to be sustained levels against other majors. The trade-weighted dollar remains miles above the levels against major currencies that prevailed from 2004 to 2014. Looking back historically, there have been other long strong-dollar periods that were subsequently unwound with no link to a fiscal crisis or a loss in confidence in the US economy.

US policy developments, including the fiscal outlook, have clearly been one factor keeping longer bond yields elevated. Fiscal stimulus could delay a Fed rate cut, and fears that both tax cuts and tariffs could spark inflation, as well as the additional bond supply from elevated deficits, are widening the 10-year term premium. But as our FICC Strategists have pointed out ("Debts and Deficits" June 3), we're seeing the same trend in German and UK debt markets. Moreover, term premia look wide only relative to the subdued levels that persisted after the global financial crisis, which ushered in a long run of low and stable inflation that reduced the market's need for a yield cushion against its return. In the period from 2000 to that crisis, the 10-year term premium on Treasuries was typically twice its current level.

True, high deficits at a time when the economy is at full employment, and prospects for more of the same in the coming decade, have posed a challenge in the eyes of rating agencies. An aging population, and its impact on Medicare and Social Security costs, will make it difficult to hold the line on spending. But unless the US deliberately opts to default, there's one other feature of America's fiscal position that suggests that a Minsky Moment tied to default risks is less likely than you might think. And that has to do with taxes.

Simply put, relative to other countries, the US has a lot more room to raise taxes at some future date. Its deficits aren't a sign that America's government is much larger than other's, but rather, that its tax take is much lower (Chart), and would be even if you tacked on a 10% tariff. Right now, any talk of tax hikes runs up against Republican opposition, and an electorate that isn't seeing the soaring interest rates, or the plunging dollar that might make such tax hikes seem necessary. At some time in the next decade, when interest payments on the debt could be a more visible problem, a future President could have the political green light to reach for those additional dollars, and keep Professor Minsky's Moment at bay.

Chart: US has room for tax hikes when it needs them



Source: IMF, Bloomberg, 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, June 9	-	-	-	-	-	-	-
Tuesday, June 10	-	-	-	-	-	-	-
Wednesday, June 11	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Wednesday, June 11	8:30 AM	BUILDING PERMITS M/M	(Apr)	(M)	-	-	-4.1%
Thursday, June 12	-	-	-	-	-	-	-
Friday, June 13	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Apr)	(M)	-2.0%	-2.0%	-1.4%
Friday, June 13	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Apr)	(M)	-1.0%	-	0.2%
Friday, June 13	8:30 AM	CAPACITY UTILIZATION	(1Q)	(L)	-	-	79.8%

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, June 9	10:00 AM	WHOLESALE INVENTORIES M/M	(Apr)	(L)	-	-	0.0%
Tuesday, June 10	-	AUCTION: 1-YR TREASURIES $48B	-	-	-	-	-
Tuesday, June 10	-	AUCTION: 3-YR TREASURIES $58B	-	-	-	-	-
Wednesday, June 11	-	AUCTION: 10-YR TREASURIES $39B	-	-	-	-	-
Wednesday, June 11	7:00 AM	MBA-APPLICATIONS	(Jun 6)	(L)	-	-	-3.9%
Wednesday, June 11	8:30 AM	CPI M/M	(May)	(H)	0.2%	0.2%	0.2%
Wednesday, June 11	8:30 AM	CPI M/M (core)	(May)	(H)	0.3%	0.3%	0.2%
Wednesday, June 11	8:30 AM	CPI Y/Y	(May)	(H)	2.5%	2.5%	2.3%
Wednesday, June 11	8:30 AM	CPI Y/Y (core)	(May)	(H)	3.0%	2.9%	2.8%
Thursday, June 12	-	AUCTION: 30-YR TREASURIES $22B	-	-	-	-	-
Thursday, June 12	8:30 AM	INITIAL CLAIMS	(Jun 7)	(M)	-	-	247K
Thursday, June 12	8:30 AM	CONTINUING CLAIMS	(May 31)	(L)	-	-	1904K
Thursday, June 12	8:30 AM	PPI M/M	(May)	(M)	0.3%	0.2%	-0.5%
Thursday, June 12	8:30 AM	PPI M/M (core)	(May)	(M)	0.4%	0.3%	-0.4%
Thursday, June 12	8:30 AM	PPI Y/Y	(May)	(M)	-	-	2.4%
Thursday, June 12	8:30 AM	PPI Y/Y (core)	(May)	(M)	-	-	3.1%
Friday, June 13	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Jun P)	(H)	-	52.0	52.2

Week Ahead's market call

by Avery Shenfeld

In the **US**, markets will be keeping an eye on the President's social media accounts, or on more official White House communications, for further developments on trade talks. The 90 day clock is ticking on other reciprocal tariffs, and US-China tensions are still bubbling over. On the data front, core goods CPI could see some upside from tariffs, and we and the consensus are building that into the overall inflation forecast. We're not as big a fan of the Michigan consumer sentiment data, as that survey and competing measures seem to have a much weaker tie to actual consumption spending, being heavily influenced by party affiliation and news headlines rather than what households are seeing in their own bank accounts.

In **Canada**, there's nothing much on tap on the data front, and manufacturing shipments will show the expected dive as tariffs hit. Instead, we'll need to watch for any news on trade talks between Carney and Trump, as well as at lower levels, with both sides keeping a close lid on developments until there's either a deal at hand or a breakdown in the dialogue.

There are no major Canadian data releases next week.

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

(Wednesday, 8:30 am)

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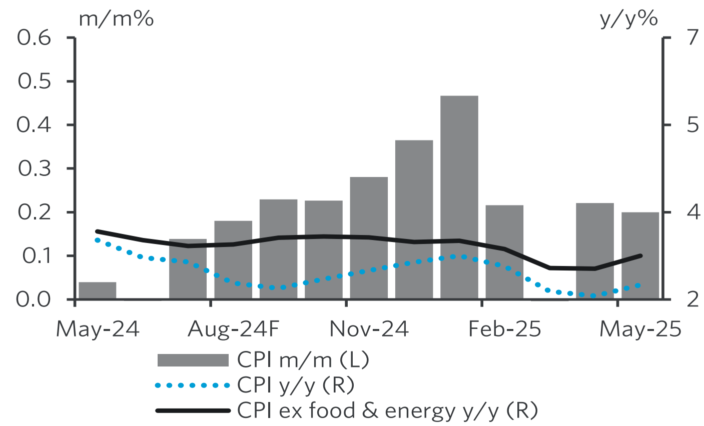
Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.2	0.2	0.2
Headline CPI (y/y)	2.5	2.5	2.3
Core CPI (m/m)	0.3	0.3	0.2
Core CPI (y/y)	3.0	2.9	2.8

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

Will the May CPI report start to show the impacts from tariffs? We think so. Core inflation should come in at 0.3% m/m (0.33%) and the headline measure at 0.2% m/m, but the main story will be a further acceleration in core goods. Part of that will be a pick-up in used car prices but also core goods excluding used cars should rise in the month. Service prices will remain relatively tame, keeping the overall core number still in a reasonable range. Soft gasoline prices will weigh on the headline figure.

Forecast implications — We expect core CPI to average about 3% this year assuming broad-based tariffs, at an effective tariff rate remain.

Market implications — We are aligned with consensus but the second decimal might matter more this time around, and hotter print will reignite worries about inflation.

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