

Economics

THE WEEK AHEAD

June 1 - 5, 2026

Your fortress or mine

by Avery Shenfeld avery.shenfeld@cibc.com

While it might rank in the President's attention behind the conflict in Iran, or even a certain ballroom project, some in the White House are still very engaged on trade policy. It's been a while since we heard much in the way of substance on Canada-US developments, and that lack of momentum suggests that the formal review of the USMCA will be pushed past this year's deadline.

Today's surprisingly anemic GDP numbers for Canada underscored the need for faster progress on that front. Along with weakness in housing, the drag from US tariffs on exports, and the uncertainty over trade policy that is sending business capital spending tumbling, are a reminder that the country is still vulnerable to trade tensions with its US neighbour.

Missing the July 1 USMCA review deadline won't be fatal, as the treaty provides for annual reviews if need be. A failure to conclude the review won't mean the end to the pact, which still sees much of Canada's export basket cross into the US duty free.

Nor is completing that tripartite review essential to resolving Canada's key issues with the current situation. Last fall, Canada and the US got close to a deal to reduce some of the sectoral tariffs that the Trump administration has imposed on Canada, with some progress reportedly reached on metals, but not on autos. The two countries could address various trade irritants in bilateral talks, since the imposition of these sectoral tariffs already violated the spirit of the USMCA deal itself. Canada would have to offer to reduce some of the countermeasures it's imposed on the US in response to those sectoral tariffs, but that's what negotiations are all about.

That said, there's another tide that could represent both an opportunity, and a challenge, to Canada's current trade strategy, which aims at diversifying exports and reducing the dependence on the US in the long run. Washington has warmed to the idea of building a "fortress North America" that could require Canada to raise barriers to other countries in its domestic market, or to reduce overseas content and add US content in Canadian exports, as a condition of returning to more open trade with the US.

Carney has indicated a willingness to discuss such arrangements with the US. But Canada's position has traditionally been that it doesn't want to enter a full customs union with the US that requires common tariffs against others. Doing so would represent a major about-face, given Ottawa's efforts in recent years to conclude free trade deals with numerous other partners, and the Trump administration's move to dramatically elevate tariffs against those same countries.

A competing plan, that will be taken up at the G7 summit in France on June 16, would in effect envisage a larger fortress that would include Europe and Japan, but leave China out in the cold. European manufacturing is under siege from a surging Chinese exports, but like Canada, Europe still views China's markets as an opportunity. Still, it's difficult to see how a G-7 fortress could include the US, given the Trump administration's obvious tilt towards protectionist policies against other G-7 members.

The challenge for the Carney government will be to walk a careful line between all of these players. Like Europe, and the US, Canada is for now very dependant on some critical supplies from China, and China has leverage in threats to cut off those flows. Along with those in US and Europe, Canadian consumers benefit from lower-cost Chinese goods, even if our other trading partners are right that these have been subsidized by Beijing as China tries to offset the drag from its housing crash.

Moreover, Canada just managed to cool tensions with China enough to get some previously-blocked agricultural exports flowing again. The Carney government risks feeling the ire of prairie premiers if it impairs those shipments by cozying up to any US or G7 proposal that would require Canada to raise tariff barriers on China. Carney's warming to trade with Europe would also appear to be at risk if the US tries to insist on a fortress North America that imposes common barriers on European imports.

There are no easy choices to be made here. But with the economy teetering on the edge of recession in the past two quarters, and trade and related capital spending at the heart of that softness, the status quo isn't where we want to be on trade relations, and we need to pick our fortress and get the goods sector moving again.

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 1	-	-	-	-	-	-	-
Tuesday, June 2	-	AUCTION: 3-M BILLS \$15.8B, 6-M BILLS \$5.6B, 1-YR BILLS \$5.6B	-	-	-	-	-
Wednesday, June 3	-	AUCTION: 5-YR CANADAS \$5B	-	-	-	-	-
Wednesday, June 3	8:30 AM	LABOUR PRODUCTIVITY Q/Q	(1Q)	(M)	-	-	-0.1%
Thursday, June 4	-	-	-	-	-	-	-
Friday, June 5	8:30 AM	EMPLOYMENT CHANGE	(May)	(H)	15.0K	10.0K	-17.7K
Friday, June 5	8:30 AM	UNEMPLOYMENT RATE	(May)	(H)	6.9%	6.9%	6.9%
Friday, June 5	10:00 AM	IVEY PMI	(May)	(L)	-	-	57.7

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 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(May)	(L)	-	55.3	55.3
Monday, June 1	10:00 AM	ISM - MANUFACTURING	(May)	(H)	52.5	53.2	52.7
Monday, June 1	10:00 AM	CONSTRUCTION SPENDING M/M	(Apr)	(M)	-	0.1%	0.6%
Tuesday, June 2	10:00 AM	JOLTS Job Openings	(Apr)	-	-	6890K	6866K
Tuesday, June 2	1:50 AM	Speaker: Neel Kashkari (Minneapolis) (Voter)	-	-	-	-	-
Tuesday, June 2	8:30 AM	Speaker: Beth M. Hammack (Cleveland) (Voter)	-	-	-	-	-
Wednesday, June 3	7:00 AM	MBA-APPLICATIONS	(May 29)	(L)	-	-	-8.5%
Wednesday, June 3	8:15 AM	ADP EMPLOYMENT CHANGE	(May)	(M)	-	120K	109K
Wednesday, June 3	9:45 AM	S&P GLOBAL US SERVICES PMI	(May)	(L)	-	-	50.9
Wednesday, June 3	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(May)	(L)	-	-	51.7
Wednesday, June 3	10:00 AM	FACTORY ORDERS M/M	(Apr)	(M)	5.5%	4.3%	1.5%
Wednesday, June 3	10:00 AM	ISM - SERVICES	(May)	(M)	53.7	53.7	53.6
Wednesday, June 3	10:00 AM	DURABLE GOODS ORDERS M/M	(Apr)	(H)	-	-	7.9%
Wednesday, June 3	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Apr)	(H)	-	-	1.1%
Wednesday, June 3	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Wednesday, June 3	9:00 AM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Wednesday, June 3	4:00 PM	Speaker: Lorie K. Logan (Dallas) (Voter)	-	-	-	-	-
Thursday, June 4	8:30 AM	INITIAL CLAIMS	(May 30)	(M)	-	-	215K
Thursday, June 4	8:30 AM	CONTINUING CLAIMS	(May 23)	(L)	-	-	1786K
Thursday, June 4	8:30 AM	NON-FARM PRODUCTIVITY	(1Q)	(M)	-	0.7%	0.8%
Thursday, June 4	8:30 AM	Speaker: Thomas I. Barkin (Richmond) (Non-Voter)	-	-	-	-	-
Thursday, June 4	1:10 PM	Speaker: Mary C. Daly (San Francisco) (Non-Voter)	-	-	-	-	-
Friday, June 5	8:30 AM	NON-FARM PAYROLLS	(May)	(H)	80K	93K	115K
Friday, June 5	8:30 AM	UNEMPLOYMENT RATE	(May)	(H)	4.3%	4.3%	4.3%
Friday, June 5	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(May)	(H)	0.2%	0.3%	0.2%
Friday, June 5	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(May)	(H)	-	34.3	34.3
Friday, June 5	8:30 AM	MANUFACTURING PAYROLLS	(May)	(H)	-	4K	-2K
Friday, June 5	3:00 PM	CONSUMER CREDIT	(Apr)	(L)	-	\$18.0B	\$24.9B

Week Ahead's market call

by Avery Shenfeld

In the **US**, the upcoming jobs numbers won't be good by the standards that prevailed two years ago, but good enough in these days of minimal population growth. While we're a bit below consensus for payrolls in expecting an 80K gain, that's still better than the recent trend, and we see the jobless rate remaining at a lean 4.3%. So even if oil prices have indeed started a sustained descent, the Fed will be in no hurry at all to cut interest rates. If news on Iran continues to edge towards a deal, Fed speakers will temper some of their recent hawkishness, and it will be interesting to see if Barr addresses his opposition to shrinking the balance sheet given that Warsh is now on board.

In **Canada**, the surprisingly weak Q1 GDP readings actually explained more about why the jobs numbers this year have been so ugly, rather than necessarily implying we're due for more of the same in May. A net addition of 15K to the ranks of the employed might only be enough to hold the unemployment rate at a lofty 6.9% level, because it will include temporary census jobs that are often filled by those who previously were not looking for work, but who are interested in taking on a short-term gig. We'll be paying more attention to whether private sector employment can eke out any growth in a quarter in which consumers are being squeezed by gasoline prices. The April GDP rebound gives us some hope that we won't see a further nasty drop in private sector employment this spring.

Week Ahead's key Canadian number: Labour force survey—May

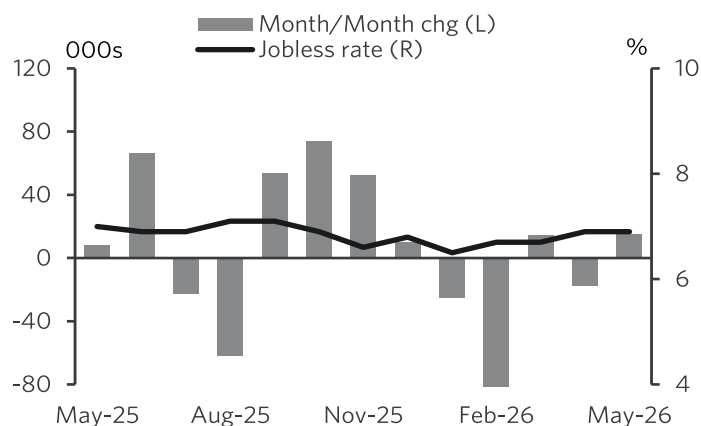
(Friday, 8:30 am)

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Variable	CIBC	Mkt	Prior
Employment change	15.0K	10.0K	-17.7K
Unemployment rate	6.9%	6.9%	6.9%

The Canadian labour market has been struggling so far in 2026 but should see some improvement in May, albeit potentially temporarily. Hiring related to the census should boost public administration employment this month, driving most of the 15K gain that we expect. However, those jobs are sometimes filled by people temporarily re-entering the labour market, which could also provide a temporary boost to participation and therefore prevent the unemployment rate from coming down. Outside of this likely temporary boost from census-related hiring, private sector employment is expected to be little changed, reflecting the cautious approach of many companies in the face of trade uncertainty and higher energy costs.

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Cautious hiring among companies and a reversal of the temporary boost from census hiring could limit overall employment growth and keep the unemployment rate elevated into the second half of the year. Assuming a further easing in energy costs and that Canada avoids further tariffs during CUSMA negotiations, employment growth should start to pick up late in the year and into 2027 to bring the jobless rate back down again.

Week Ahead's key US number: Employment situation—May

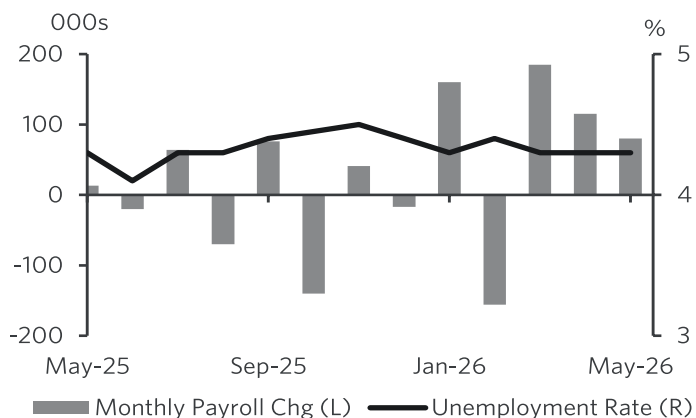
(Friday, 8:30 am)

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Variable	CIBC	Mkt	Prior
Employment (m/m)	80K	93K	115K
Unemployment rate	4.3%	4.3%	4.3%
Avg hourly earnings (m/m)	0.2%	0.3%	0.2%

The labour market continues to be in what the Fed calls a “curious balance” with “low hiring and low firing” as the theme. We expect May’s non-farm payroll to rise by 80K. That’s not as healthy as March and April, since the trade, transport and utilities sector could pull back following two strong months and the job losses from the closure of Spirit Airline in the month could show up. But the 80K gains is still stronger than April’s 3-month moving average of close to 50K and still roughly consistent with what is needed to keep the unemployment rate unchanged at 4.3% given the decline in labour supply growth since 2025. Downside risks remain in the labour market, as job gains have been largely concentrated in the health care/social assistance sector which is less sensitive to the business cycle. Sectors that are more cyclically sensitive were weak last month (e.g. manufacturing and residential construction). Hourly earnings have been easing and hiring has slowed down.

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

Forecast implications — Modest job gains and easing wage growth are on display in the slowdown in consumption since the beginning of the year, something that looks to have extended into Q2. Although we expect a tame increase in wages, the Fed will remain focused on keeping inflation expectations anchored amidst spillover from the oil price shock into core inflation and is therefore likely to remain on hold for 2026.

Market implications — We are largely in line with consensus, so a report in line with our view would not be a market mover.

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