

Economics

THE WEEK AHEAD

March 30 - April 3, 2026

Affordability and the pressure to end the war

by Avery Shenfeld avery.shenfeld@cibc.com

“Affordability” remains one of the top political concerns for American voters, and that’s a key reason why Trump is seeking a quick exit ramp from the war with Iran. Rising fuel costs have added nearly a percentage point to the CPI, and a protracted war could send Brent crude into the \$150-\$200 range. That’s not where the White House wants to be when we get closer to November’s midterms.

Economists who have their heads buried in the official data might be puzzled by the fact that the affordability angst had persisted even prior to this run-up in gasoline prices. After-inflation median incomes have rebounded from a dip earlier in this decade and are higher than they were pre-pandemic. As of February the CPI was up 2.4% year-on-year, while private sector average hourly wages had risen 3.8% over that period. So, where’s the beefing coming from?

In part, from beef and its alternatives on the dinner plate. Food prices rose sharply in recent years, and like gasoline, are very visible to the average shopper in a way that the price of less-frequently purchased, less standardized items like furniture, aren’t. They’re now at risk due to war-related disruptions in global fertilizer markets.

More broadly, Trump’s campaign promised to actually reverse these price hikes, rather than merely decelerate their pace. Voters also see the accelerating increases they saw in their own incomes in 2022-24 as based on merit, rather than merely as part of a broader inflationary trend in wages and prices in an overheated economy. So they felt that those higher pay rates should have bought them more.

The widening income and wealth gap between households in the 50th percentile, or even the top 20th, versus those in the top 10% or 1%, may also be at play. When a middle income American says that they’re unable to keep up with inflation, that needn’t mean they can’t buy what they did a few years ago, but that they can’t keep up with the Jones’ on the fancier block down the street.

Indeed, the way the CPI is calculated creates a related perceptual issue in which the inflation people see doesn’t really show up in the official measures. The average transaction price for a new vehicle has risen by roughly 50% since the end of 2012. But the new vehicle CPI is up only 23% over that period, because it removes the cost of new features that are added each year, and ignores changes in the type of models Americans are buying. You could easily afford something like your Dad’s old Chevy Impala on today’s incomes, but who wants a car with no entertainment system other than a radio? Or a 21-inch TV with no access to streaming?

Last, but not least, is the way the US CPI includes the cost of home ownership. It really doesn’t. The US BLS actually measures what it would hypothetically cost to rent the kind of houses that people own. That understates what young Americans trying to buy their first home, or those to moving up to a larger house, are up against, given what’s happened to 30-year mortgage rates.

Bolhuis et al (2024) developed an alternative inflation measure that captures home mortgage costs for a new marginal buyer, as well as vehicle financing costs. It would have peaked at over 20% during the Fed’s post-COVID tightening cycle, and was still sitting at 12% near the end of 2023. While financing rates have since come down, today’s 30-year mortgage rates are still higher than at nearly all points in the post 2002 period.

So there’s a grain of truth in Americans’ perception that inflation has eclipsed their spending power, or their views on what they should be able to afford as a middle class household. That makes it harder for them to declare victory in the “pursuit of happiness” that the Declaration of Independence listed as their “unalienable right”. But if there’s a silver lining to that malaise, it’s that it’s the best political impediment against a long, drawn out war that adds an extended run of gasoline inflation to their worry list.

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, March 30	-	-	-	-	-	-	-
Tuesday, March 31	8:30 AM	GDP M/M	(Jan)	(H)	-0.1%	0.1%	0.2%
Wednesday, April 1	-	AUCTION: 2-YR CANADAS \$5.5B	-	-	-	-	-
Wednesday, April 1	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Thursday, April 2	8:30 AM	MERCHANDISE TRADE BALANCE	(Feb)	(H)	-\$1.8B	-\$1.8B	-\$3.7B
Friday, April 3	-	Markets Closed (Good Friday)	-	-	-	-	-

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, March 30	10:30 AM	Speaker: Jerome H. Powell (Chairman) (Voter)	-	-	-	-	-
Monday, March 30	4:00 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Tuesday, March 31	9:00 AM	HOUSE PRICE INDEX M/M	(Jan)	(M)	-	0.1%	0.1%
Tuesday, March 31	9:45 AM	CHICAGO PMI	(Mar)	(M)	-	55.1	57.7
Tuesday, March 31	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Mar)	(H)	-	88.0	91.2
Tuesday, March 31	10:00 AM	JOLTS Job Openings	(Feb)	-	-	6850K	6946K
Tuesday, March 31	12:00 PM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Tuesday, March 31	3:00 PM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Tuesday, March 31	5:10 PM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Wednesday, April 1	7:00 AM	MBA-APPLICATIONS	(Mar 27)	(L)	-	-	-10.5%
Wednesday, April 1	8:15 AM	ADP EMPLOYMENT CHANGE	(Mar)	(M)	-	40K	63K
Wednesday, April 1	8:30 AM	RETAIL SALES M/M	(Feb)	(H)	0.3%	0.4%	-0.2%
Wednesday, April 1	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Feb)	(H)	0.2%	0.3%	0.0%
Wednesday, April 1	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Feb)	(H)	0.1%	0.3%	0.3%
Wednesday, April 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Mar)	(L)	-	-	52.4
Wednesday, April 1	10:00 AM	ISM - MANUFACTURING	(Mar)	(H)	-	52.3	52.4
Wednesday, April 1	10:00 AM	BUSINESS INVENTORIES M/M	(Jan)	(L)	-	-	0.1%
Wednesday, April 1	9:05 AM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Wednesday, April 1	9:10 AM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Thursday, April 2	8:30 AM	INITIAL CLAIMS	(Mar 28)	(M)	-	-	210K
Thursday, April 2	8:30 AM	CONTINUING CLAIMS	(Mar 21)	(L)	-	-	1819K
Thursday, April 2	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Feb)	(H)	-	-\$59.2B	-\$54.5B
Friday, April 3	8:30 AM	NON-FARM PAYROLLS	(Mar)	(H)	60K	50K	-92K
Friday, April 3	8:30 AM	UNEMPLOYMENT RATE	(Mar)	(H)	4.4%	4.4%	4.4%
Friday, April 3	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Mar)	(H)	0.3%	0.3%	0.4%
Friday, April 3	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Mar)	(H)	-	34.3	34.3
Friday, April 3	8:30 AM	MANUFACTURING PAYROLLS	(Mar)	(H)	-	-	-12K
Friday, April 3	9:45 AM	S&P GLOBAL US SERVICES PMI	(Mar)	(L)	-	-	51.1
Friday, April 3	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Mar)	(L)	-	-	51.4

Week Ahead's market call

by Avery Shenfeld

In the **US**, our forecasts are a hair stronger than consensus on the jobs data, and a hair weaker on retail sales, but all of that will take a back seat to developments in the Middle East. With Trump clearly seeking to avoid a drawn-out war, the two plausible scenarios would include a quick end now, with both sides dropping a lot of their demands to achieve a cease fire, or an initial but short-lived escalation by the US aimed at adding leverage to their bargaining position in a deal reached a month or so from now. The risk in playing the escalation card, beyond US casualties, is that damage to both Iranian and other Persian Gulf energy assets leaves a longer tail in which global oil and gas prices are higher, to the detriment of GOP prospects in the November midterms. Fed speakers can't have a clear message while all this uncertainty still clouds the outlook.

In **Canada**, we're a bit weaker than consensus on January GDP, expecting a 0.1% decline. The Bank of Canada's summary of deliberations is an opportunity for Macklem to tilt market pricing. But like the FOMC members, those at Canada's central bank are themselves too uncertain about what lies ahead to lecture the market about what could, or couldn't, be in the cards for policy rates ahead.

Week Ahead's key Canadian number: Gross domestic product—January

(Tuesday, 8:30 am)

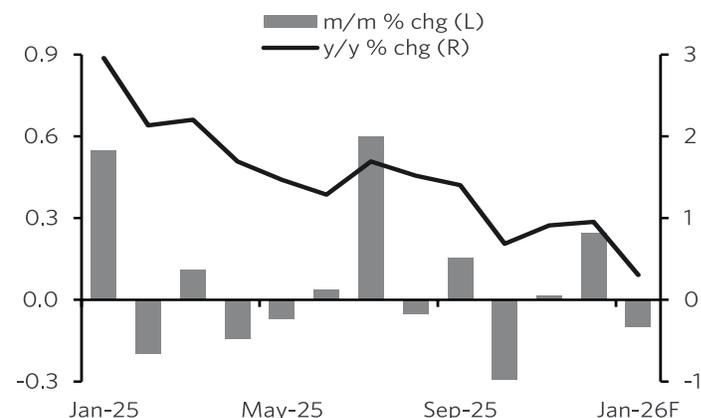
Andrew Grantham andrew.grantham@cibc.com

Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	-0.1	0.1	0.2

Following a solid end to 2025, the Canadian economy likely took a small step backwards in the first month of 2026. Our forecast for a 0.1% reduction in GDP would be slightly weaker than the advance estimate for a flat reading, although weakness will be driven largely by one-off factors that should unwind in the months ahead. Manufacturing production slumped due to extended retooling shutdowns in the auto sector. Meanwhile bad weather in central Canada likely exaggerated an already weak trend for home resales. Partly offsetting these declines, retail sales were strong during the month.

With some of these one-off factors easing or reversing in February, and retail spending continuing to rise, the advance estimate for February GDP should point to a decent rebound. We expect an increase of 0.3%, which would keep Q1 on track to post growth between 1 and 1½%.

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Even if we are correct in our forecast for a strong February rebound, GDP growth in Q1 will still be tracking slightly below the Bank of Canada's January MPR forecast for the first quarter of the year. Continued slack in the economy will help prevent a sharp rise in energy prices from quickly passing through to other areas of the economy, enabling policymakers to sit on the sidelines and wait for more clarity regarding the long-term impact of the Middle East conflict on inflation.

Other Canadian releases: Merchandise trade balance—February

(Thursday, 8:30 am)

With oil prices already creeping up during the month, volumes ticking up and auto exports expected to rebound following a retooling-driven slump in January, Canada's goods trade deficit should have narrowed in February. We expect a \$1.8bn shortfall, which would represent a halving of the deficit relative to January.

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

(Friday, 8:30 am)

Katherine Judge katherine.judge@cibc.com

Variable	CIBC	Mkt	Prior
Employment (m/m)	60K	50K	-92K
Unemployment rate	4.4%	4.4%	4.4%
Avg hourly earnings (m/m)	0.3%	0.3%	0.4%

The labor market likely only partly recovered the ground that it lost in the prior month in March, with 60K jobs expected to have been created, helped by a rebound following a healthcare sector strike. However, stripping that impact out would suggest that only roughly half of the headline gain in jobs was tied to other industries, as job openings have been trending lower, and trade uncertainty is weighing on cyclical sectors, compounded by the start of the war in Iran. A pickup in participation following a drop in the prior month would have prevented the unemployment rate from falling, and it likely remained at 4.4%.

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

Forecast implications — The limited labor supply pool that reflects a prime-age participation rate that is close to multi-decade highs means that the unemployment rate is likely to remain contained ahead even as job gains shrink. That suggests that there is no rush for the Fed to cut rates, as it will want to see evidence of oil prices coming down sustainably first. That said, the Fed isn't in a hurry to hike rates in response to what might prove to be a short-lived jump in energy costs.

Market impact — We are only marginally above the consensus on payrolls and in line on the unemployment rate, which is likely to contain any market reaction.

Other US Releases: Retail sales—February

(Wednesday, 8:30 am)

A rebound in gasoline prices and unit auto sales in February likely drove a 0.3% increase in headline retail sales. However, that would have left less money for spending on control group items, where spending likely increased by only 0.1%, representing no growth in volume terms. Higher gasoline prices will weigh on discretionary spending further ahead, and along with a sluggish labor market and negative wealth impacts tied to the downturn in equities, real consumption growth is expected to be weaker in upcoming months.

Contacts:

Avery Shenfeld
avery.shenfeld@cibc.com

Benjamin Tal
benjamin.tal@cibc.com

Andrew Grantham
andrew.grantham@cibc.com

Katherine Judge
katherine.judge@cibc.com

CIBC Capital Markets
PO Box 500
161 Bay Street, Brookfield Place
Toronto, Canada, M5J 2S8
[Bloomberg @ CIBC](#)

economics.cibccm.com

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.