Economics

THE WEEK AHEAD

July 13 - 17, 2026

Keeping CUSMA still counts for Canada

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

The July 1st deadline for extending the Canada-US-Mexico trade agreement has come and gone, and as we expected, a well-anticipated failure to reach a deal didn't generate any shockwaves in Canadian financial markets. But make no mistake, the fate of this tripartite deal is still of great importance to Canada. The worst of the negative shocks to growth from what's already happened may well be behind us, and CUSMA hasn't shielded Canada from tariffs on selected sectors. But any move by the White House to withdraw from the pact, even one that met resistance from Congress, would be a material further setback.

It's true that current tariffs on Canadian exports are well below those faced on American imports from Europe or Asia. But that's a misleading comparison for two reasons. First, the data tracking tariffs collected by US customs are weighted by the current flows of Canada's southbound goods shipments. So the diminished share of those exports represented by higher-tariffed products in sectors like autos or lumber, relative to where we were in 2024, masks some of the damage done to export volumes in the worst hit industries. The weighted average tariff would be a few points higher if calculated on 2024 export volumes.

Second, while overseas suppliers for products like steel or autos face similar tariffs, as well as levies on a broader range of goods, their industries were not nearly as dependent on the US market as Canada's. And the costs of moving production to the US are likely lower for Canadian manufacturers that already source a material share of their inputs from the US, than it would be for, say, Asian manufacturers that would face more challenges in reorienting their supply chains on the other side of the ocean. That makes such shifts a greater risk for Canada's economy if tariffs escalate.

If the US opted to withdraw from CUSMA, the new economic headwinds would be stiffer than you might assume if you merely tack on the new tariffs from which CUSMA has given most Canadian products an exemption, like those on goods coming from countries that don't block all imports produced by forced labour. That forced labour tariff was just the Trump administration's first salvo in its ongoing efforts to find replacements for the duties deemed to be unconstitutional by the Supreme Court.

For now, Canada is on the sidelines in investigations currently underway over issues like excess capacity in other countries' manufacturing sectors. But there's no assurance that the US won't find other products that it decides are traded "unfairly", or that pose national security risks if America relies on imported supplies. If wood bathroom vanities can be hit with a national security tariff, what can't? CUSMA hasn't been a perfect shield, but it did help most exporters avoid the "forced labour" tariff and the earlier "fentanyl tariff" it replaced.

Most importantly, an announcement that the US is pulling out of CUSMA, even if that was ultimately countered by Congress or the courts, would be seen as a hostile act. That would likely come alongside rhetoric from Washington that would amplify Canadian fears of further tariff and non-tariff barriers. A recent KMPG survey of Canadian manufacturers, while qualitative in nature, and perhaps more likely to be answered by firms where tariffs are an issue, added weight to quantitative data showing that capital spending has been held back in Canada by uncertainties over future access to the US market. Many of the respondents have shifted "some" of their production stateside in response, or are considering doing so. That trend would only accelerate if the war of words over trade heats up, as it surely would in the event that the White House declared its intention to exit the Canada-US-Mexico pact.

In contrast, keeping CUSMA in place for another decade, as we see as the likely outcome, would be viewed as evidence that our American partners see value in two-way trade with Canada. Even better would be some progress at the negotiating table to reduce the barriers that have been added since early 2025. But any hopes for that would also be snuffed out if we let trade relations darken to the point that CUSMA comes to an end. Fortunately, the very exemptions that the US has accorded to CUSMA compliant goods are signs that Washington still sees some merit in preserving this pact.

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, July 13	-	-	-	-	-	-	-
Tuesday, July 14	-	AUCTION: 3-M BILLS $15.2B, 6-M BILLS $5.4B, 1-YR BILLS $5.4B	-	-	-	-	-
Wednesday, July 15	5:00 AM	EXISTING HOME SALES M/M	(Jun)	(M)	-	-	5.5%
Wednesday, July 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(May)	(M)	1.1%	1.1%	4.2%
Wednesday, July 15	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(May)	(M)	-0.7%	-	0.6%
Wednesday, July 15	9:45 AM	BANK OF CANADA RATE ANNOUNCEMENT	(Jul 15)	(H)	2.25%	2.25%	2.25%
Thursday, July 16	-	AUCTION: 30-YR CANADAS $3B	-	-	-	-	-
Thursday, July 16	8:15 AM	HOUSING STARTS SAAR	(Jun)	(M)	270.0K	257.9K	261.4K
Friday, July 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(May)	(M)	-	-	$46.9B

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, July 13	2:00 PM	FEDERAL BUDGET BALANCE	(Jun)	(L)	-	-	-$292.6B
Monday, July 13	5:25 AM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Monday, July 13	12:30 PM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Tuesday, July 14	8:30 AM	CPI M/M	(Jun)	(H)	-0.2%	-0.1%	0.5%
Tuesday, July 14	8:30 AM	CPI M/M (core)	(Jun)	(H)	0.2%	0.2%	0.2%
Tuesday, July 14	8:30 AM	CPI Y/Y	(Jun)	(H)	3.8%	3.8%	4.2%
Tuesday, July 14	8:30 AM	CPI Y/Y (core)	(Jun)	(H)	2.8%	2.8%	2.9%
Tuesday, July 14	4:00 PM	NET CAPITAL INFLOWS (TICS)	(May)	(L)	-	-	$103.1B
Tuesday, July 14	10:00 AM	Speaker: Kevin Warsh (Florida) (Voter)	-	-	-	-	-
Tuesday, July 14	12:40 PM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Tuesday, July 14	1:00 PM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Tuesday, July 14	1:30 PM	Speaker: Lisa D. Cook (Governor) (Voter)	-	-	-	-	-
Tuesday, July 14	2:55 PM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Wednesday, July 15	7:00 AM	MBA-APPLICATIONS	(Jul 10)	(L)	-	-	-2.2%
Wednesday, July 15	8:30 AM	NEW YORK FED (EMPIRE)	(Jul)	(M)	-	8.6	5.7
Wednesday, July 15	8:30 AM	PPI M/M	(Jun)	(M)	0.0%	-0.1%	1.1%
Wednesday, July 15	8:30 AM	PPI M/M (core)	(Jun)	(M)	0.2%	0.4%	0.4%
Wednesday, July 15	8:30 AM	PPI Y/Y	(Jun)	(M)	-	6.2%	6.5%
Wednesday, July 15	8:30 AM	PPI Y/Y (core)	(Jun)	(M)	-	5.2%	4.9%
Wednesday, July 15	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Wednesday, July 15	8:45 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Wednesday, July 15	10:00 AM	Speaker: Kevin Warsh (Florida) (Voter)	-	-	-	-	-
Wednesday, July 15	1:00 PM	Speaker: Lisa D. Cook (Governor) (Voter)	-	-	-	-	-
Wednesday, July 15	6:30 PM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Thursday, July 16	8:30 AM	INITIAL CLAIMS	(Jul 11)	(M)	-	-	215K
Thursday, July 16	8:30 AM	CONTINUING CLAIMS	(Jul 4)	(L)	-	-	1814K
Thursday, July 16	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Jul)	(M)	-	15.0	10.3
Thursday, July 16	8:30 AM	RETAIL SALES M/M	(Jun)	(H)	0.2%	0.3%	0.9%
Thursday, July 16	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Jun)	(H)	0.0%	-0.1%	0.8%
Thursday, July 16	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Jun)	(H)	0.5%	0.5%	0.7%
Thursday, July 16	10:00 AM	NAHB HOUSING INDEX	(Jul)	(L)	-	35.0	35.0
Thursday, July 16	10:00 AM	BUSINESS INVENTORIES M/M	(May)	(L)	-	0.3%	0.5%
Thursday, July 16	10:00 AM	PENDING HOME SALES M/M	(Jun)	(M)	-	-	3.8%
Thursday, July 16	12:30 PM	Speaker: Lorie K. Logan (Dallas) (Voter)	-	-	-	-	-
Thursday, July 16	1:25 PM	Speaker: Jeffrey R. Schmid (Kansas City) (Non-Voter)	-	-	-	-	-
Thursday, July 16	7:00 PM	Speaker: Philip N. Jefferson (Governor) (Voter)	-	-	-	-	-
Friday, July 17	8:30 AM	IMPORT PRICE INDEX M/M	(Jun)	(L)	-	-0.6%	1.9%
Friday, July 17	8:30 AM	EXPORT PRICE INDEX M/M	(Jun)	(L)	-	-	1.3%
Friday, July 17	8:30 AM	HOUSING STARTS SAAR	(Jun)	(M)	1320K	1325K	1177K
Friday, July 17	8:30 AM	BUILDING PERMITS SAAR	(Jun P)	(H)	1390K	1400K	1410K
Friday, July 17	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Jun)	(H)	0.0%	0.2%	0.1%
Friday, July 17	9:15 AM	CAPACITY UTILIZATION	(Jun)	(M)	76.0%	76.2%	76.2%
Friday, July 17	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Jul P)	(H)	-	51.3	49.5

Week Ahead’s market call

by Avery Shenfeld

In the **US**, the big move will be in headline CPI, but it’s the core rate where we need to see a bland reading. Softening gasoline prices, albeit to a much lesser degree than the move in crude oil, gives us a shot at an outright CPI decline, but what we and the Fed will be watching is the core measure. Getting a boring 0.2% there, and nothing higher than that, would help rule out a July rate hike and push the Fed’s real hike or no hike decision to September. Retail sales, PPI and housing starts round out a busy calendar, with lots of Fed speakers also due. We’re a bit surprised by the degree of calm in WTI prices, and we’ll need a quieter week in the Persian Gulf to sustain that sentiment.

In **Canada**, the Bank of Canada might have time to take a longer lunch break as they reach an easy decision to stand pat on interest rates for another month. Data and events are reducing the odds of a move in either direction. They can cite a rebound in growth and employment as a reason to be less worried about a scenario in which they’ll need to cut rates, but can’t yet rule out the risk of adverse developments in trade talks that they cited in their downside scenario. Even with bombs thundering over the Strait of Hormuz, oil prices are still well off the “high oil” scenario that called for rate hikes, and the Governor will note that the spillover from energy to core inflation has remained in check. Even those responsible for the market’s pricing of a rate hike later this year aren’t banking on the BoC giving a signal in that direction in the week ahead, so we don’t expect a meaningful repricing of those odds on the July rate decision announcement. The data calendar also has nothing likely to be market moving.

There are no major Canadian data releases next week.

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

(Tuesday, 8:30 am)

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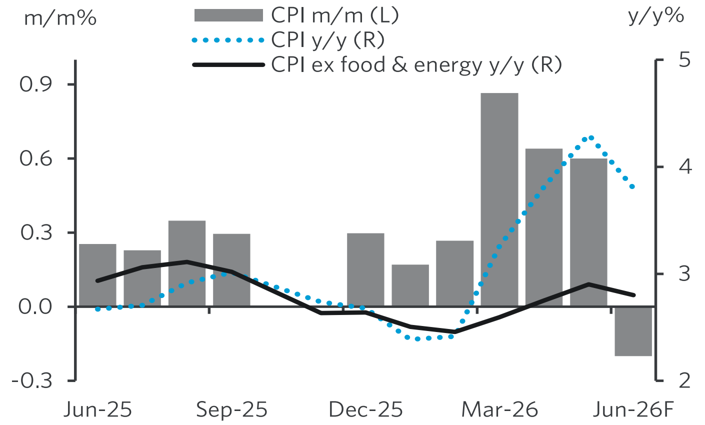
Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	-0.2	-0.1	0.5
Headline CP (y/y)	3.8	3.8	4.2
Core CPI (m/m)	0.2	0.2	0.2
Core CPI (y/y)	2.8	2.8	2.9

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

Gasoline prices have been moving lower since May but still remain above their pre-war level. We expect pump prices to decline by about 10% from May to June, leading to a -0.2% monthly change of CPI. Core CPI should grow at 0.2% m/m in June, the same pace as May and in line with the monthly increase in average hourly earnings in June. While the FIFA World Cup is likely to temporarily lift hotel prices, a large online retailer moved its sale up to June instead of the usual July this year, which could constrain growth in core goods prices in the month.

Forecast implications — We expect total inflation to decelerate in June on the backs of lower gasoline prices, but whether or not core will start to ease on an annual basis is the important question given this will be the last inflation data point before the July FOMC meeting. A higher than expected core reading would be a risk to our current forecast for the Fed to stay on hold this year.

Market implications — An above-consensus core reading would amplify market pricing for rate hikes before year end.

Other US Releases: Retail sales—June

(Thursday, 8:30 am)

We expect monthly retail sales to decelerate in June, to 0.2% m/m from 0.9% in May. This slowing will come largely from lower gasoline prices, which have declined significantly from the peak in May. Auto sales picked up in June, so we expect retail sales excluding autos to show a flat reading for the month. The retail sales control group, which excludes highly volatile sectors like autos, gasoline, building materials and food services, should remain strong at 0.5% m/m in June as a large online retailer had their bi-annual sales in June instead of the usual July.

Industrial production—June

(Friday, 9:15 am)

We expect June industrial production to be unchanged from May. June's non-farm payroll showed a declined in aggregate manufacturing hours worked in June. Utilities should post positive growth as the average temperature in June was slightly higher than normal, but we expect mining to contract following two months of positive growth as implied by the aggregate hours worked data for the sector in June.

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