

Economics

THE WEEK AHEAD

August 18 - 22, 2025

A Fast and Furious Fed?

by Avery Shenfeld avery.shenfeld@cibc.com

American central bankers are tilting towards a rate cut or two this year, but they are aren't nearly on board with the fast and furious pace of easing that the White House would like to see. Even the market's assumption, after what wasn't a very favourable CPI reading, that a quarter point cut in September was a virtual certainty, seemed premature. And while a September cut is still a possibility, barring a big hit to employment next month, and setting aside politics for a moment, as economists we see a case for waiting just a bit longer.

Ironically, what prompted the shift in Fed thinking, and market pricing, was a July payrolls report that the President dismissed as inaccurate. A softer job market at least starts to create risks to meeting the Fed's full employment mandate, and opens up slack that would help in achieving its inflation mandate.

But so far, there's only a small crack in the labour market. With a deceleration in population growth, the jobless rate hasn't budged. The economy decelerated in the first half, but the underpinnings for what lies ahead are mixed rather than clearly negative, as wealth and income gains are supporting strength in retail sales, at least until tariffs put a greater squeeze on spending power. On the inflation front, recent data are still running above the FOMC target, as the CPI and PPI combination points to a 0.3% monthly gain for core PCE, with the risks a bit on the upside.

Looking ahead, two questions remain unanswered. Econometric models give us a hand in estimating the initial lift from tariffs. But when we're asked what the actual data are telling us, the honest answer is that it's too soon to know. Prices for 2025 model-year cars and other goods are still reflecting imports that were loaded on ships ahead of major tariffs, and American manufacturers bought inputs before they were lifted by duties. Since price impacts are still delayed, so too are their implications for US consumer spending, wage demands, and other macro variables.

Second, the Fed would like to assume that these tariff impacts on inflation will be, dare we say it, "transitory," if the demand

and labour markets aren't overheated. While the Fed might be willing to make that leap of faith and deliver a token initial rate cut, unless the economy really tanks, it's going to want to see some proof in the data on wages and prices for non-tariffed items before going too far down the easing road.

So where does that leave us for a September rate cut? If we don't see a rise in the jobless rate next month, and inflation remains elevated, the economist in us says that there would be some merit, and little harm, in waiting for October. That's our forecast for now, with a follow up move in December if, by then, we see some signs that the inflation impact of tariffs has crested in terms of monthly increases.

To push our call into September, we would need to see a further deterioration in the labour market. Even then, the Fed might be simply trying to get the political monkey off its back by getting the ball rolling a bit earlier than it wants, and buying time until December for a follow up move when the data picture will be clearer.

Two quarter point cuts this year, and a further two in the first half of 2026 would take us to a roughly neutral rate, consistent with an economy that has eased a bit, but not buckled, and in which inflation hasn't undershot the Fed's 2% target. The White House thinks it wants a fast and furious Fed, but it won't much like the string of weak jobs and growth numbers we would need to take us there.

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, August 18	8:30 AM	HOUSING STARTS SAAR	(Jul)	(M)	265.0K	258.7K	283.7K
Monday, August 18	8:30 AM	INT'L. SEC. TRANSACTIONS	(Jun)	(M)	-	-	-\$2.8B
Tuesday, August 19	8:30 AM	CPI M/M	(Jul)	(H)	0.3%	0.4%	0.1%
Tuesday, August 19	8:30 AM	CPI Y/Y	(Jul)	(H)	1.7%	1.8%	1.9%
Tuesday, August 19	8:30 AM	Consumer Price Index	(Jul)	(M)	-	-	164.4
Tuesday, August 19	8:30 AM	CPI Core- Median Y/Y%	(Jul)	(M)	3.1%	3.1%	3.1%
Tuesday, August 19	8:30 AM	CPI Core- Trim Y/Y%	(Jul)	(M)	3.1%	3.1%	3.0%
Wednesday, August 20	-	AUCTION: 5-YR CANADAS \$5.3B	-	-	-	-	-
Thursday, August 21	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Jul)	(M)	-	-	0.4%
Thursday, August 21	8:30 AM	RAW MATERIALS M/M	(Jul)	(M)	-	-	2.7%
Friday, August 22	8:30 AM	RETAIL TRADE TOTAL M/M	(Jun)	(H)	1.5%	1.5%	-1.1%
Friday, August 22	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Jun)	(H)	0.8%	1.1%	-0.2%
Friday, August 22	10:30 AM	Update: Senior Loan Officer Survey	-	-	-	-	-

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, August 18	10:00 AM	NAHB HOUSING INDEX	(Aug)	(L)	-	34.0	33.0
Tuesday, August 19	8:30 AM	HOUSING STARTS SAAR	(Jul)	(M)	1300K	1290K	1321K
Tuesday, August 19	8:30 AM	BUILDING PERMITS SAAR	(Jul P)	(H)	1400K	1390K	1393K
Wednesday, August 20	-	AUCTION: 20-YR TREASURIES \$16B	-	-	-	-	-
Wednesday, August 20	7:00 AM	MBA-APPLICATIONS	(Aug 15)	(L)	-	-	10.9%
Wednesday, August 20	2:00 PM	FOMC Meeting Minutes	(Jul 30)	-	-	-	-
Wednesday, August 20	11:00 AM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Wednesday, August 20	3:00 PM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-
Thursday, August 21	-	AUCTION: 30-YR TIPS \$8B	-	-	-	-	-
Thursday, August 21	8:30 AM	INITIAL CLAIMS	(Aug 16)	(M)	-	-	224K
Thursday, August 21	8:30 AM	CONTINUING CLAIMS	(Aug 9)	(L)	-	-	1953K
Thursday, August 21	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Aug)	(M)	-	8.0	15.9
Thursday, August 21	9:45 AM	S&P GLOBAL US SERVICES PMI	(Aug P)	(L)	-	-	55.7
Thursday, August 21	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Aug P)	(L)	-	-	55.1
Thursday, August 21	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Aug P)	(L)	-	-	49.8
Thursday, August 21	10:00 AM	LEADING INDICATORS M/M	(Jul)	(M)	-	-0.1%	-0.3%
Thursday, August 21	10:00 AM	EXISTING HOME SALES SAAR	(Jul)	(M)	-	3.9M	3.9M
Thursday, August 21	10:00 AM	EXISTING HOME SALES M/M	(Jul)	(M)	-	-0.8%	-2.7%
Friday, August 22	-	-	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, it's a light week on the data front, with none of the indicators on tap likely to be market movers. Even the Fed minutes will be seen as dated, as they came ahead of the weakness in payrolls data, but also before some upward pressure in CPI and PPI readings. We have two Fed speakers on the agenda, and we'll be looking for any reactions to that mixed news on jobs and inflation.

In **Canada**, we're a touch lighter than the early consensus on headline inflation and ex-auto retail sales, so that data might collectively nudge up market odds on a September rate cut. We're puzzled by the wide gap between those odds and the heavier probability being assigned to a September Fed cut, in light of the much greater slack in Canada's job market, and the much lower level of import tariffs that will be feeding into Canadian inflation than what's in store stateside.

Week Ahead's key Canadian number:
Consumer price index—July

(Tuesday, 8:30 am)

Andrew Grantham andrew.grantham@cibc.com

Variable (%)	CIBC	Mkt	Prior
CPI m/m	0.3	0.4	0.1
CPI y/y	1.7	1.8	1.9

Inflationary pressures likely eased slightly in July, which would bring us a step closer to the Bank of Canada restarting interest rate cuts. Gasoline prices were down marginally on the month, and would be the primary factor seeing headline inflation ease to 1.7% year-over-year, from 1.9%.

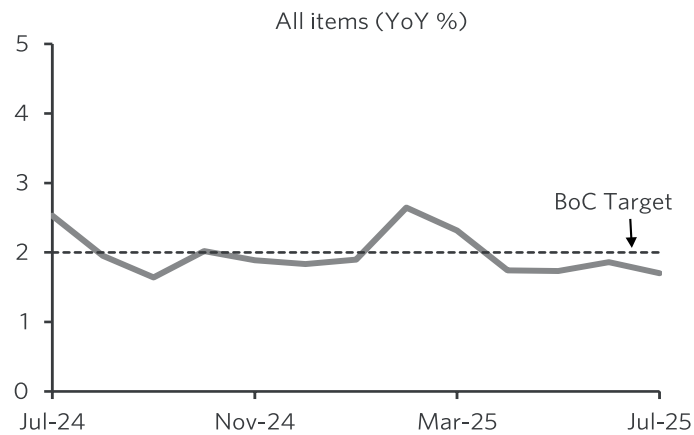
However, policymakers will be more focused on core measures of inflation, which should rise by a modest 0.2% seasonally adjusted thanks to weaker upward pressure from shelter prices. While year-over-year rates for CPI-trim, median and CPI-X could accelerate slightly due to base effects, the 3-month annualized rates will fall back below 3% if monthly increases are a modest 0.2% as we expect.

Other Canadian releases:
Retail sales—June

(Friday, 8:30 am)

Retail sales likely jumped by 1.5% in June, although the advance was likely flattered by a rebound in auto sales. Excluding autos, retail sales probably rose by a solid, but less spectacular, 0.8%. The advance estimate for July may show sales stagnating again, in line with the slight decline in employment seen within the sector during the month.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — While core measures of inflation will remain a little high for the Bank of Canada's liking on a year-over-year basis, early indications that the trend is easing again alongside a weakening economy will keep the door open to a September interest rate cut.

There are no major US data releases next week.

Contacts:

Avery Shenfeld
avery.shenfeld@cibc.com

Benjamin Tal
benjamin.tal@cibc.com

Andrew Grantham
andrew.grantham@cibc.com

Ali Jaffery
ali.jaffery@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](https://www.bloomberg.com/profile/company/CIBCCM:CA)

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