

Economics

THE WEEK AHEAD

July 14 - 18, 2025

Know when to hold 'em, when to fold 'em

by Avery Shenfeld avery.shenfeld@cibc.com

To be frank, the future of US trade policy is as clear as mud. That's inevitable when White House decisions seem to be based on the whims, and mood, of one particular man, and when it's hard to ascribe changes to a well-articulated American objective. The latest news was still tied to a factually incorrect assertion about fentanyl flows from Canada, and a criminal case in Brazil.

But our job is still to forecast based on the most likely outcome, a duty that the Bank of Canada will also have to deal with in choosing its base case July MPR forecast and interest rate decision. So we need to look for clues in what we're hearing from the White House. Amidst all the noise, there's been one point of consistency: no country is getting a "get out of tariffs free" card from the US.

We can sympathize with the task facing Canada's negotiating team, and its decision to aim for a sweeping deal that removes all of the tariffs on our goods in a comprehensive trade and security arrangement. But in trade negotiations, as in poker, you've gotta know when to hold 'em, know when to fold 'em, and at some point, we'll have to give up on getting a fully satisfactory deal in round one.

The US might be bluffing with its threatened 35% tariff, and companies can avoid it by proving sufficient Canadian-US-Mexican content, assuming the USMCA exemption remains. We might get some tariff-free quota of imports in sectors like aluminum or copper, where the US will need such supplies, and a reduction in the rate on non-USMCA goods to 10% (or at least not a hike to 35%). But we've seen with other countries, including Japan, that insistence on fully free trade in Trump-favoured sectors like autos and steel isn't going to get us very far towards a trade deal now, and could even generate a backlash from the President.

Similarly, while an elbows up stance might be popular with voters, severe retaliatory tariff measures not only impose pain on Canadian consumers, but could also incur the wrath of a President willing to meet fire with fire. Buying Canadian, and avoiding US goods and travel, is a more effective countermeasure because it's based on decisions by individuals

and unlikely to trigger a White House response. A government marketing campaign to promote "buying Canadian" would also seem to be risk free, as long as it doesn't mention avoiding the US.

Our forecast assumes that in the coming weeks Canada's team is able to reach an agreement that brings down the threatened 35% tariff, and retains its existing USMCA carve-outs. We'll see that apply more broadly every month as more companies get through the paperwork. But judging by talks with other countries, we're likely to achieve only very partial gains in terms of relief from sectoral tariffs.

That will end round one. In round two, Canada now faces an ever more urgent need to cement an extension of the USMCA deal, even if US actions have shown that such agreements don't provide the certainty that they used to. Because in another sense, the extension will be of greater importance to many businesses than the USMCA deal was.

When that pact was signed, the counterfactual would have been that Canada lost its access to a dispute resolution process (which hasn't yet proven helpful in the current trade war), and would have been hit by most-favoured-nation tariffs, typically set at only a few decimal places, on exports to the US. In contrast, if USMCA isn't renewed in 2026, all of our exports could see double-digit US reciprocal tariffs if they haven't been overruled by the US courts. That's another reason to not go full elbows up now, or give the US everything it wants at the negotiating table. We'll need to save some cards for the next hand, as we get to work on the USMCA renewal.

As for the Bank of Canada, while it's not necessarily our preferred option, today's news of a jobs rebound, and the still-uncertain path for trade policy, is likely to be enough of an excuse to yet again delay further interest rate reductions at its July meeting. But if, as we expect, this round of trade talks gives only limited relief, and a huge cloud of uncertainty over the USMCA's future remains in place, there should still be ample reason for two more quarter point cuts later this year, perhaps in September and December.

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 14	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(May)	(M)	-0.4%	-	-2.3%
Tuesday, July 15	-	AUCTION: 3-M BILLS \$14.6B, 6-M BILLS \$5.2B, 1-YR - BILLS \$5.2B	-	-	-	-	-
Tuesday, July 15	8:15 AM	HOUSING STARTS SAAR	(Jun)	(M)	270.0K	253.2K	279.5K
Tuesday, July 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(May)	(M)	-1.3%	-1.3%	-2.8%
Tuesday, July 15	8:30 AM	CPI M/M	(Jun)	(H)	0.0%	0.2%	0.6%
Tuesday, July 15	8:30 AM	CPI Y/Y	(Jun)	(H)	1.8%	2.0%	1.7%
Tuesday, July 15	8:30 AM	Consumer Price Index	(Jun)	(M)	-	-	164.3
Tuesday, July 15	8:30 AM	CPI Core- Median Y/Y%	(Jun)	(M)	2.9%	3.0%	3.0%
Tuesday, July 15	8:30 AM	CPI Core- Trim Y/Y%	(Jun)	(M)	3.0%	3.0%	3.0%
Tuesday, July 15	9:00 AM	EXISTING HOME SALES M/M	(Jun)	(M)	-	-	3.6%
Wednesday, July 16	-	AUCTION: 30-YR CANADAS \$3B	-	-	-	-	-
Thursday, July 17	-	AUCTION: 2-YR CANADAS \$7.5B	-	-	-	-	-
Thursday, July 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(May)	(M)	-	-	-\$9.4B
Friday, July 18	-	-	-	-	-	-	-

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 14	-	-	-	-	-	-	-
Tuesday, July 15	8:30 AM	NEW YORK FED (EMPIRE)	(Jul)	(M)	-	-10	-16
Tuesday, July 15	8:30 AM	CPI M/M	(Jun)	(H)	0.3%	0.3%	0.1%
Tuesday, July 15	8:30 AM	CPI M/M (core)	(Jun)	(H)	0.3%	0.3%	0.1%
Tuesday, July 15	8:30 AM	CPI Y/Y	(Jun)	(H)	2.7%	2.6%	2.4%
Tuesday, July 15	8:30 AM	CPI Y/Y (core)	(Jun)	(H)	3.0%	2.9%	2.8%
Tuesday, July 15	9:15 AM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Tuesday, July 15	12:45 AM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Tuesday, July 15	2:45 PM	Speaker: Susan M. Collins (Boston)	-	-	-	-	-
Tuesday, July 15	7:45 PM	Speaker: Lorie K. Logan (Dallas) (Non-Voter)	-	-	-	-	-
Wednesday, July 16	7:00 AM	MBA-APPLICATIONS	(Jul 11)	(L)	-	-	9.4%
Wednesday, July 16	8:30 AM	PPI M/M	(Jun)	(M)	0.3%	0.2%	0.1%
Wednesday, July 16	8:30 AM	PPI M/M (core)	(Jun)	(M)	0.3%	0.2%	0.1%
Wednesday, July 16	8:30 AM	PPI Y/Y	(Jun)	(M)	-	2.5%	2.6%
Wednesday, July 16	8:30 AM	PPI Y/Y (core)	(Jun)	(M)	-	2.7%	3.0%
Wednesday, July 16	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Jun)	(H)	0.1%	0.1%	-0.2%
Wednesday, July 16	9:15 AM	CAPACITY UTILIZATION	(Jun)	(M)	77.3%	77.4%	77.4%
Wednesday, July 16	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Wednesday, July 16	9:15 AM	Speaker: Beth Hammack (Cleveland) (Voter)	-	-	-	-	-
Wednesday, July 16	10:00 AM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Wednesday, July 16	5:30 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Thursday, July 17	8:30 AM	INITIAL CLAIMS	(Jul 12)	(M)	-	-	227K
Thursday, July 17	8:30 AM	CONTINUING CLAIMS	(Jul 5)	(L)	-	-	1965K
Thursday, July 17	8:30 AM	RETAIL SALES M/M	(Jun)	(H)	0.1%	0.2%	-0.9%
Thursday, July 17	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Jun)	(H)	0.3%	0.4%	-0.3%
Thursday, July 17	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Jun)	(H)	0.2%	0.4%	0.4%
Thursday, July 17	8:30 AM	IMPORT PRICE INDEX M/M	(Jun)	(L)	-	0.2%	0.0%
Thursday, July 17	8:30 AM	EXPORT PRICE INDEX M/M	(Jun)	(L)	-	-0.1%	-0.9%
Thursday, July 17	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Jul)	(M)	-	-0.5	-4
Thursday, July 17	10:00 AM	BUSINESS INVENTORIES M/M	(May)	(L)	-	0.0%	0.0%
Thursday, July 17	10:00 AM	NAHB HOUSING INDEX	(Jul)	(L)	-	33	32
Thursday, July 17	4:00 PM	NET CAPITAL INFLOWS (TICS)	(May)	(L)	-	-	-\$7.8B
Thursday, July 17	10:00 AM	Speaker: Adriana D. Kugler (Governor) (Voter)	-	-	-	-	-
Thursday, July 17	12:45 PM	Speaker: Mary C. Daly (San Francisco) (Voter)	-	-	-	-	-
Thursday, July 17	1:30 PM	Speaker: Lisa D Cook (Governor) (Voter)	-	-	-	-	-
Thursday, July 17	6:30 PM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Friday, July 18	8:30 AM	HOUSING STARTS SAAR	(Jun)	(M)	1350K	1300K	1256K
Friday, July 18	8:30 AM	BUILDING PERMITS SAAR	(Jun P)	(H)	1400K	1390K	1394K
Friday, July 18	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Jul P)	(H)	-	61.3	60.7

Week Ahead's market call

by Avery Shenfeld

In the **US**, the market's focus will fall on the CPI numbers, but the evidence suggests that inventories brought in ahead of the tariffs will mean that the associated price hikes are still in our future rather than in the data we'll see next week. Our call is in line with the consensus, but recent developments in trade talks are posing more upside risks to inflation ahead, and tariff letters, or deals, will still be very much in the spotlight. Retail sales look headed for a soft month, which will keep chatter about a rate cut from Fed doves alive, with the majority on that committee still decidedly in the wait-and-see camp, consistent with our call for no move until Q4.

In **Canada**, while we're below consensus on headline inflation, we see another 0.3% increase in seasonally-adjusted ex-food/energy prices, and therefore not enough progress on the Bank's core measures to tip the scales towards a July rate cut after the better jobs data for June. But within that report, we look for some softness in domestically-driven services prices, including rent, that make the case that the inflation we're seeing now will fade as we move past the one-off impacts from trade policies. The deadline for trade talks with the US has essentially been lengthened to August 1, and Canadian officials' preference for not negotiating in public suggests we won't get much news on that front in the coming week.

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

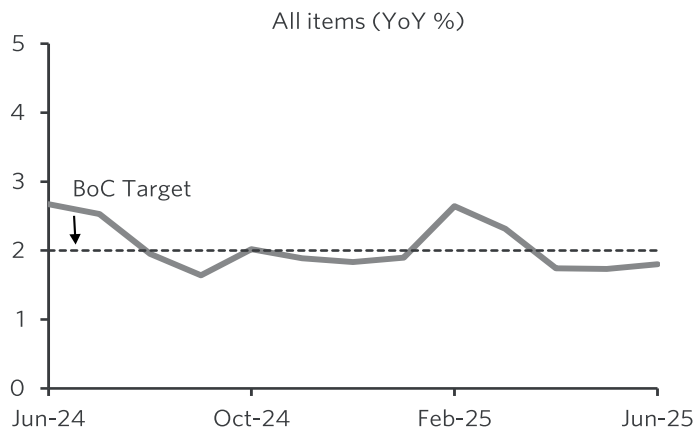
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.0	0.2	0.6
CPI (yr/yr)	1.8	2.0	1.7

Headline prices likely ticked up to 1.8% y/y in June, with monthly NSA price pressures flat (+0.1% m/m in SA terms). Beneath the surface, that would include a 0.3% m/m SA increase in ex. food/energy categories for the third month in a row. We anticipate a slowdown in the shelter index, particularly in rental rates that haven't yet picked up drops being observed across major cities for vacant units, and service categories tied to the slack in the labour market. That would partly offset the further upside to goods prices from tariffs, particularly within food and auto categories. Those segments have been boosting the Bank of Canada's key core measures of trim and median lately, which we expect to come in at 0.2% m/m SA again, leaving the annual average of the two at 3.0% y/y.

Chart: Canadian consumer price



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Economic slack has increased and will exert more downward pressure on the CPI ahead as we move past the one-time price level hit from tariffs. Moreover, the strengthening in the Canadian dollar since March will help to offset tariff impacts.

Other Canadian releases:
Housing starts—June

(Tuesday, 8:15 am)

The gap between building permits and housing starts has been atypically wide this year, as builders are delaying starts given the weakness in housing market activity and home prices since the trade war began. Following a 30% surge in April, and a levelling off in May, building could have subsided slightly to a 270K pace in June. Further BoC cuts and signs of a recovery in the labour market towards the end of the year should see homebuilding accelerate in 2026.

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

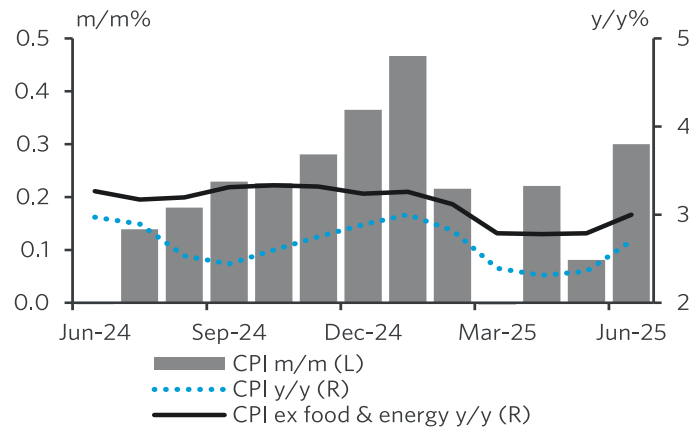
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.3	0.3	0.1
Headline CPI (yr/yr)	2.7	2.6	2.4
Core CPI (m/m)	0.3	0.3	0.1
Core CPI (yr/yr)	3.0	2.9	2.8

Beyond the tariff noise, the attention will be on the June CPI report. We expect headline and core inflation to come in at 0.3% m/m. Tariffs will show up in some core goods categories, but their impact will be modest because of solid pre-tariff inventories across a range of retail categories, including autos, and businesses willing to absorb some of the tariffs in margin. That will mean a slower pass-through of tariffs into inflation, but by the fall or winter, inventories will be thinner and sticker prices will more clearly show the impact — particularly if the President's latest escalation is more than a negotiating tactic.

Chart: US Consumer price index



Source: BLS, Haver Analytics, CIBC

Forecast implications — We expect the 0.3% m/m in Core CPI (0.30-0.34%) to translate into a 0.3% reflecting higher core goods and services excluding shelter.

Market implications — We're aligned with the consensus, and that shouldn't rattle the market too much, but the focus will be on trade negotiations and tariff announcements.

Other US Releases: Retail sales—June

(Thursday, 8:30 am)

Retail sales momentum should continue to fade. High-frequency credit card data point to modest spending in June, particularly in discretionary categories. The June jobs report also showed wage income slow materially in the month. We expect total sales to come in at 0.1% m/m and the control group to gain 0.2%.

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