Economics

THE WEEK AHEAD

March 23 - 27, 2026

Dropping insurance coverage

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

Your financial advisor, or perhaps your parents, warned you to make sure your insurance coverage was up to date, but both the US and Canadian economies have unfortunately just lost theirs. When thinking about the economic shocks from the Middle East war (or is it an "excursion"?), most of the modelling focuses on adjusting one's base case forecast. The good news is that some of the direct impacts aren't quite as nasty as they were back in the oil embargo shock of the 1970s, when North America didn't have as large an oil sector that could benefit, and when oil consumption per unit of GDP was a lot higher.

But base case forecasts miss an important implication that increases downside risks in other scenarios, ones that were present before the oil shock, because the economy no longer has an insurance policy that can cushion the blow. These risks differed across countries, but were evident in both the US and Canada in some of the downside scenarios we were monitoring.

Stateside, there were concerns that consumer spending rested on wealth gains that could dry up if equities even plateaued, since consumption lacked support from population and employment growth. Business capital spending was uncomfortably dependant on continued enthusiasm for hundreds of billions in AI projects, while financial markets were getting nervous about some corners of private credit. In Canada, GDP growth was already sluggish and unemployment had climbed in 2025, with the risks centred on US trade policy uncertainties, their implications for exports and business capital spending, and weakness in the housing market.

In both countries, when we looked at potential downside scenarios for growth and employment, we were comforted by an insurance policy that would kick in if growth started to falter, in the form of ample room for further central bank rate cuts. We had two quarter point cuts built into our Fed projection. Some interest rate relief seemed likely to be needed even in our base case, given signs of a deceleration in consumption, and at some point, less spectacular quarter-over-quarter growth in already-elevated AI spending.

In Canada, our base case call was for the Bank of Canada to stay on hold. But when thinking about weaker growth scenarios, we were assuming that, with inflation now at target, the Bank had considerable room for a further rate cuts as needed. Although there wasn't yet a clear case for a policy easing, the recent weakness in the labour market had us getting closer to actually projecting a couple of additional quarter point cuts.

Now, in both countries, the inflationary impacts of higher oil prices will have their central banks much less willing to give their economies quick interest rate relief, even if we see evidence of disappointing growth or climbing unemployment. We've pushed back any Fed rate cuts until the fall, and even then, we'll need oil prices to have reversed course to make that happen, and have core inflation momentum moving past the one-off lift from tariffs.

For now, a delay in interest rate relief isn't that worrisome, because the US economy is still not far from full employment. That's not the case in Canada, and the Governor conceded that risks to the Bank's already mediocre growth outlook were tilted to the downside. Higher incomes for energy producers aren't likely to trigger a quick upturn in capital spending or job creation in that sector, but higher pump prices will squeeze Canadian consumers who are already concerned about job prospects. Yet with inflation about to jump again, the Governor's tone suggests that he'll be standing his ground even if we did see additional upside in unemployment.

That said, unlike market participants, we aren't worried about the Governor beating up on an already fragile Canadian economy by hiking rates this year. The market's pricing for two or more hikes seems inconsistent with January 2027 WTI oil futures back down to the the mid-$70s, or with an economy that, unlike the US, entered this year with considerable economic slack. We may have lost some downside protection for growth, but in any scenario in which the economy is soft, the Bank of Canada can let that economic slack do the job of preventing oil prices from spilling over into sustained core inflation.

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 23	-	-	-	-	-	-	-
Tuesday, March 24	-	AUCTION: 3-M BILLS $13.4B, 6-M BILLS $4.8B, 1-YR BILLS $4.8B	-	-	-	-	-
Wednesday, March 25	-	AUCTION: 10-YR CANADAS $5.3B	-	-	-	-	-
Thursday, March 26	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Jan)	-	-	-	-35.4K
Thursday, March 26	-	Speaker: Carolyn Rogers (Sr. Deputy Gov.)	-	-	-	-	-
Friday, March 27	-	-	-	-	-	-	-

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 23	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Feb)	(M)	-	-	0.2
Monday, March 23	10:00 AM	CONSTRUCTION SPENDING M/M	(Jan)	(M)	-	0.1%	0.3%
Tuesday, March 24	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Tuesday, March 24	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Mar)	(M)	-	-	-17.3
Tuesday, March 24	8:30 AM	NON-FARM PRODUCTIVITY	(4Q)	(M)	-	2.4%	2.8%
Tuesday, March 24	9:45 AM	S&P GLOBAL US SERVICES PMI	(Mar P)	(L)	-	-	51.7
Tuesday, March 24	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Mar P)	(L)	-	-	51.9
Tuesday, March 24	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Mar P)	(L)	-	-	51.6
Tuesday, March 24	10:00 AM	RICHMOND FED MANUF. INDEX	(Mar)	(M)	-	-	-10
Wednesday, March 25	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Wednesday, March 25	-	AUCTION: 2-YR FRN $28B	-	-	-	-	-
Wednesday, March 25	7:00 AM	MBA-APPLICATIONS	(Mar 20)	(L)	-	-	-10.9%
Wednesday, March 25	8:30 AM	IMPORT PRICE INDEX M/M	(Feb)	(L)	-	-	0.2%
Wednesday, March 25	8:30 AM	EXPORT PRICE INDEX M/M	(Feb)	(L)	-	-	0.6%
Wednesday, March 25	8:30 AM	CURRENT ACCOUNT BALANCE	(4Q)	(L)	-	-	-$226.4B
Thursday, March 26	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Thursday, March 26	8:30 AM	INITIAL CLAIMS	(Mar 21)	(M)	-	-	205K
Thursday, March 26	8:30 AM	CONTINUING CLAIMS	(Mar 14)	(L)	-	-	1857K
Thursday, March 26	7:00 PM	Speaker: Philip N. Jefferson (Governor) (Voter)	-	-	-	-	-
Friday, March 27	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Mar)	(H)	-	-	55.5
Friday, March 27	11:30 AM	Speaker: Mary C. Daly (San Francisco) (Non-Voter)	-	-	-	-	-
Friday, March 27	11:40 AM	Speaker: Anna Paulson (Philadelphia) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, there's nothing on the data calendar that will take market participants' eyeballs away from the Middle East war, and their oil futures screens. Survey based measures, like the PMIs or consumer confidence reports, could start to see jitters from the war that might distort the degree to which responses align with actual activity in March. According to Powell, FOMC members really had no clue on what to assume about the war when filling into their forecasts for the latest projections for the economy and rates, and they won't be on much better ground to sound particularly confident in upcoming speeches. So keep your eyes on the war news.

In **Canada**, it's also a very light week for data. The recent dive in employment in the Labour Force (household) Survey means that it's now caught up with the flat jobs figures from the payrolls rate, so this week's SEPH payrolls data aren't as interesting. Governor Macklem wanted to be noncommittal in his remarks after the past week's interest rate decision, so we suspect a similar guarded tone from the Senior Deputy in her remarks in the coming week.

There are no major Canadian & US data releases next week.

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