

## Economics

## THE WEEK AHEAD

April 21 - 25, 2025

## The tempest in Treasuries

by Avery Shenfeld [avery.shenfeld@cibc.com](mailto:avery.shenfeld@cibc.com)

The past two weeks have seen an extremely stormy Treasuries market, but only one of two swings that largely offset each other generated a flood of “end of the world as we know it” commentaries. Nobody saw anything amiss in a sudden rally that saw 10-year rates dive by nearly 40 bps in six days, dropping below 4% on April 4th. But there was much wailing and finger pointing when they reversed course and closed near 4.5% in a few days. In that finger pointing, a squeeze on repo funding for leveraged bond holders, forced selling by those losing money on equities, or bond dumping by China and other countries dismayed by US tariffs were all cited as reasons, with no supporting evidence.

Scientists typically look for the simplest explanations for observed phenomena before deciding the laws of physics have been broken, or that UFOs have arrived. In this case, the simplest story is that the rally that took 10-year rates below 4% was grossly overdone, dependant on fears of an immediate recession, and a quick dose of Fed easing that blatantly contradicted the central bankers’ stated inflation concerns. When the dust settled, Treasuries seemed to be hovering close to where they stood ahead of the early-April rally.

If you’re inclined to worry about long rates, it is worth keeping an eye on the budget process that will pause during the upcoming recess, but resume thereafter. The Senate version of the bill included only trivial spending reductions, and allowed for tax cuts well beyond simply extending those passed in Trump’s first term that were set to expire. House fiscal conservatives were brought on board to approve that deal in the 11th hour, after their party’s leaders pledged to find at least \$1.5 tn in spending cuts. If achieved, that would still see deficits run miles above a base case in which the prior tax cuts were allowed to expire, but not that far above what markets were assuming all along, which was that any plausible deal would extend the existing tax rates.

What might worry Treasury investors is that the Senate’s reluctance to have major spending constraints in their bill reflected their concerns over voter acceptance of huge cuts in Medicaid and other programs. That leaves reasonable doubts

about whether such cuts will survive in the final bill. In their absence, the Treasuries market could indeed face trouble ahead. The Senate version with only minor spending cuts would see annual deficits soar from under \$2 tn to reach \$3 tn by 2031, according to the Committee for a Responsible Budget.

So we need to keep an eye on whether Congress can either come up with the additional savings, or go back to the drawing board with less generous tax reductions. We’re counting on GOP fiscal hawks to ultimately hold the line on deficit increases. We could see them use the need to pass the debt ceiling increase to firm up their party’s commitment to containing deficits, or throw up roadblocks to the budget bill itself. Expect this to be a drawn out fight that will delay the passage of the reconciled bill well past the Memorial Day target.

A more gradually climbing deficit, while not ideal, needn’t put upward pressure on long Treasuries. The Administration appears to be leaning towards shortening the term structure of the debt, if need be, to prevent an overcrowded long bond market. That leaves future governments at risk of having to refinance this growing stock of debt at higher rates, but passing the buck to the next government is what big deficits are all about.

Another worry, which we see as highly improbable, lies in the chatter about the so-called Mar-a-Lago Accord, misnamed because there is no “accord” to speak of. One element of that plan, which is aimed at lowering US financing costs and also weakening the greenback, would entail forcing foreign sovereign Treasury holders to swap them into 100-year bonds at unfavourable rates, perhaps under threats of still more tariffs if they refuse. That’s essentially a default, and any benefit that the US received from interest savings on their existing debt, or a weaker greenback, would be swamped by undermining the demand for future financings. If there are even tiny probabilities of this outcome now priced-into Treasuries, fading references to the whole Mar-a-Lago package will help nudge yields lower.

## 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, April 21	-	-	-	-	-	-	-
Tuesday, April 22	-	AUCTION: 3-M BILLS \$14.6B, 6-M BILLS \$5.2B, 1-YR BILLS \$5.2B	-	-	-	-	-
Tuesday, April 22	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Mar)	(M)	-	-	0.4%
Tuesday, April 22	8:30 AM	RAW MATERIALS M/M	(Mar)	(M)	-	-	0.3%
Wednesday, April 23	-	AUCTION: 30-YR CANADAS	-	-	-	-	-
Thursday, April 24	-	AUCTION: 5-YR CANADAS	-	-	-	-	-
Thursday, April 24	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Feb)	-	-	-	26.8K
Friday, April 25	8:30 AM	RETAIL TRADE TOTAL M/M	(Feb)	(H)	-0.4%	-	-0.6%
Friday, April 25	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Feb)	(H)	-	-	0.2%

## 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, April 21	10:00 AM	LEADING INDICATORS M/M	(Mar)	(M)	-	-0.4%	-0.3%
Tuesday, April 22	-	AUCTION: 2-YR TREASURIES \$69B	-	-	-	-	-
Tuesday, April 22	8:30 AM	PHILADELPHIA FED - NON-MANUFACTURING	(Apr)	(M)	-	-	-32.5
Tuesday, April 22	10:00 AM	RICHMOND FED MANUF. INDEX	(Apr)	(M)	-	-	-4
Tuesday, April 22	9:00 AM	Speaker: Philip N Jefferson (Governor) (Voter)	-	-	-	-	-
Tuesday, April 22	9:30 AM	Speaker: Patrick Harker (Philadelphia) (Non-Voter)	-	-	-	-	-
Tuesday, April 22	2:00 PM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Wednesday, April 23	-	AUCTION: 5-YR TREASURIES \$70B	-	-	-	-	-
Wednesday, April 23	-	AUCTION: 2-YR FRN \$30B	-	-	-	-	-
Wednesday, April 23	7:00 AM	MBA-APPLICATIONS	(Apr 18)	(L)	-	-	-8.5%
Wednesday, April 23	9:45 AM	S&P GLOBAL US SERVICES PMI	(Apr P)	(L)	-	-	54.4
Wednesday, April 23	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Apr P)	(L)	-	-	53.5
Wednesday, April 23	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Apr P)	(L)	-	-	50.2
Wednesday, April 23	10:00 AM	NEW HOME SALES SAAR	(Mar)	(M)	650K	683K	676K
Wednesday, April 23	10:00 AM	NEW HOME SALES M/M	(Mar)	(M)	-3.8%	1.0%	1.8%
Wednesday, April 23	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Wednesday, April 23	9:00 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Wednesday, April 23	9:30 AM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Wednesday, April 23	6:30 PM	Speaker: Beth Hammack (Cleveland) (Voter)	-	-	-	-	-
Thursday, April 24	-	AUCTION: 7-YR TREASURIES \$44B	-	-	-	-	-
Thursday, April 24	8:30 AM	INITIAL CLAIMS	(Apr 19)	(M)	-	-	215K
Thursday, April 24	8:30 AM	CONTINUING CLAIMS	(Apr 12)	(L)	-	-	1885K
Thursday, April 24	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Mar)	(M)	-	-	0.2
Thursday, April 24	8:30 AM	DURABLE GOODS ORDERS M/M	(Mar P)	(H)	0.8%	1.5%	1.0%
Thursday, April 24	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Mar P)	(H)	0.4%	0.3%	0.7%
Thursday, April 24	10:00 AM	EXISTING HOME SALES SAAR	(Mar)	(M)	-	4.1M	4.3M
Thursday, April 24	10:00 AM	EXISTING HOME SALES M/M	(Mar)	(M)	-	-3.1%	4.2%
Thursday, April 24	5:00 PM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Friday, April 25	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Apr)	(H)	-	-	50.8

## Week Ahead's market call

by Avery Shenfeld

In the **US**, it's a light week for economic data, with nothing on tap that is likely to be a market mover. That doesn't guarantee a quiet week, as we'll have frequent updates on the status of trade talks, and rhetoric from the White House about the Fed Chairman could continue to play out in the media. Other Fed speakers on the schedule this week are likely to echo Powell's concerns over the stagflation risks from tariffs, and the difficulty they face in delivering interest rate relief given the upside risks to inflation.

In **Canada**, we'll be in the final days of the federal election campaign, so poll watching will compete with economic news for attention. Retail sales for February and March will be dented as they come down from the earlier boost of a sales tax holiday, and for the quarter as a whole, a deceleration in consumer spending will be part of a less robust quarterly growth pace.

## Week Ahead's key Canadian number: Retail sales—February

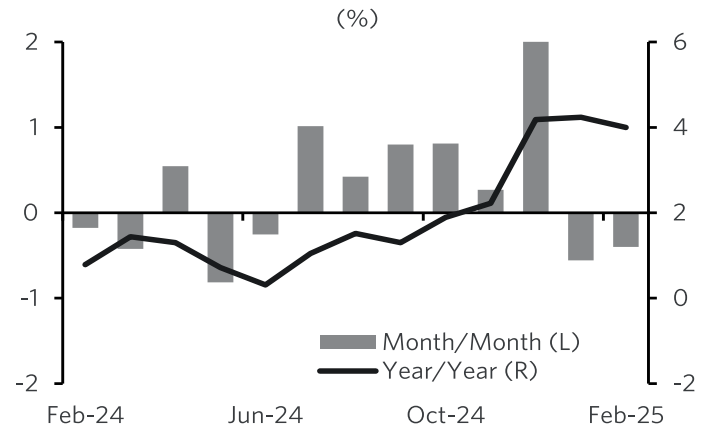
(Friday, 8:30 am)

Katherine Judge [katherine.judge@cibc.com](mailto:katherine.judge@cibc.com)

Variable (%)	CIBC	Mkt	Prior
Retail sales total (m/m)	-0.4	-	-0.6

Retail sales likely declined by 0.4% in February, in line with the advance estimate and the end of the GST/HST holiday in the middle of the month, which resulted in demand being pulled forward into December. Spending likely continued to normalize in March, and although lower gasoline prices would have left more money for spending elsewhere, precautionary savings were likely accumulated as the trade war heated up, resulting in a weak end to the quarter.

Chart: Canadian retail sales



Source: Statistics Canada, Haver Analytics, CIBC

**Forecast implications** — After real retail sales surged by 9% annualized in the fourth quarter, the first quarter likely saw a slowdown to around 1% annualized. That will partly reflect a normalization following the tax holiday, but consumer caution will be on full display in the second quarter as tariff uncertainty ramped up.

**There are no major US data releases next week.**

## Contacts:

Avery Shenfeld  
[avery.shenfeld@cibc.com](mailto:avery.shenfeld@cibc.com)

Benjamin Tal  
[benjamin.tal@cibc.com](mailto:benjamin.tal@cibc.com)

Andrew Grantham  
[andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

Ali Jaffery  
[ali.jaffery@cibc.com](mailto:ali.jaffery@cibc.com)

Katherine Judge  
[katherine.judge@cibc.com](mailto:katherine.judge@cibc.com)

CIBC Capital Markets  
PO Box 500  
161 Bay Street, Brookfield Place  
Toronto, Canada, M5J 2S8  
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