

THE WEEK AHEAD

April 14 - 18, 2025

Does one pause beg another? Maybe not

by Avery Shenfeld avery.shenfeld@cibc.com

Market expectations for the upcoming Bank of Canada meeting showed as much volatility as equities in recent days, both reacting to an equally volatile US policy outlook. The astronomical tariffs that the US put into effect presented a clear and present danger of a global recession, so most investors saw plenty of reason for Canada's central bank to provide further rate relief. But then those same investors decided that Trump's decision to "pause" those tariffs at 10% will bring a matching pause in rate cuts from the Bank of Canada. We find ourselves in the minority, believing that a quarter point easing is still warranted, and therefore are giving slightly better odds that that Governor Macklem will see it that way.

Let's imagine a US trade policy environment with the same current end point, but with a different sequencing. Suppose that the US had saved all of its tariff announcements for April 2nd. Donald Trump would have stood in the Rose Garden, holding up a board with the following: a 25% tariff on Canadian steel, aluminum and products thereof; a 34% upcoming tariff on Canadian lumber; a 25% tariff on the non-US content of Canadian/Mexican vehicles and those from other countries; upcoming tariffs on copper and pharma; a 145% tariff on Chinese goods; and finally, a permanent 10% tariff on all other countries' products, that would double, triple or worse if each of these countries failed within 90 days to agree to stop being so "unfair" to American exporters.

And there's the risk. Because in many cases, that unfairness was in the eyes of the beholder. That happens to be a US President who also "beheld" massive inflows of fentanyl and migrants from Canada, and a vastly overstated US\$200 billion trade deficit for his country with Canada. Just what can America's trading partners offer? The EU, for example, does impose a 10% tariff on American cars, which it might offer to eliminate. But its average tariff rate is closer to 1%. Is dropping that to zero going to convince Trump to eliminate its interim 10% tariff on EU imports, let alone not reimpose the 20% tariff it announced on April 2nd? Indeed, he has already rejected an EU offer to move to zero tariffs in both directions.

The US has made no specific allegations of unfairness in Canada's steel, aluminum and auto sectors, and has cited as trade irritants such things as the country's value-added taxes

and bilingual labelling. Would this country agree to drop all of that?

The 90-day "pause" at 10% is just that, a pause. Remember that Canadian-made autos received a one-month pause, and when it ended, the tariffs simply were back on in full force. The risk that happens with reciprocal tariffs, and the existing sectoral tariffs, leaves substantial uncertainty, a business sector that is freezing capital spending decisions while it waits for clarity, and diminished confidence for both businesses and households in Canada. How soon will anyone step up to build a plant in Canada to produce exports to the US, given that the US has blatantly abrogated its existing free-trade USMCA deal, one that Trump himself negotiated?

Clear downside risks to Canadian growth remain, and the last employment report added to those concerns. True, inflation also ticked up, and we'll see some one-time price hikes from tariffs imposed here, and higher costs for goods made in the US. Our call does depend on seeing some cooling in monthly seasonally adjusted inflation readings next week. And looking ahead, inflation risks appear to have faded in recent days. Retaliatory tariffs proved lower than expected, and the tariff on US-made vehicles appears to be coming with some relief for companies still assembling vehicles in Canada. Oil prices are sharply lower, adding to the downward pressure on pump prices from the carbon-tax elimination. The Canadian dollar has recovered some of its lost ground, reversing some pressure on import prices. We might well see a flood of discounted cars and other products from European and Asian producers who are hampered in the US market. Labour markets also are softening, easing wage pressures down the road.

Given the balance of risks on growth and inflation, we see a case for a rate cut next week, and hope the Bank judges it the same way. Truth be told, the decision could go the other way, given that the economic consequences of waiting until June would not be material. The advantage of moving now is that the accompanying Monetary Policy Report can't avoid talking about the downside risks to growth. With that gloomy backdrop, we could all use a little cheer from a 25 basis point Easter present from our central bankers.

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 14	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Feb)	(M)	0.4%	-	1.2%
Tuesday, April 15	8:15 AM	HOUSING STARTS SAAR	(Mar)	(M)	250.0K	237.8K	229.0K
Tuesday, April 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Feb)	(M)	-0.2%	-0.2%	1.7%
Tuesday, April 15	8:30 AM	CPI M/M	(Mar)	(H)	0.5%	0.7%	1.1%
Tuesday, April 15	8:30 AM	CPI Y/Y	(Mar)	(H)	2.5%	2.7%	2.6%
Tuesday, April 15	8:30 AM	Consumer Price Index	(Mar)	(M)	-	-	163
Tuesday, April 15	8:30 AM	CPI Core- Median Y/Y%	(Mar)	(M)	2.9%	2.9%	2.9%
Tuesday, April 15	8:30 AM	CPI Core- Trim Y/Y%	(Mar)	(M)	2.9%	2.9%	2.9%
Tuesday, April 15	9:00 AM	EXISTING HOME SALES M/M	(Mar)	(M)	-	-	-9.8%
Wednesday, April 16	9:45 AM	BANK OF CANADA RATE ANNOUNCE.	(Apr 16)	(H)	2.50%	2.75%	2.75%
Thursday, April 17	8:30 AM	INT'L. SEC. TRANSACTIONS	(Feb)	(M)	-	-	\$7.9B
Friday, April 18	-	Markets Closed (Good Friday)	-	-	-	-	-

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 14	1:00 PM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Monday, April 14	6:00 PM	Speaker: Patrick Harker (Philadelphia) (Non-Voter)	-	-	-	-	-
Monday, April 14	7:40 PM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-
Tuesday, April 15	-	AUCTION: 1-YR TREASURIES \$48B	-	-	-	-	-
Tuesday, April 15	8:30 AM	NEW YORK FED (EMPIRE)	(Apr)	(M)	-	-10	-20
Tuesday, April 15	8:30 AM	IMPORT PRICE INDEX M/M	(Mar)	(L)	-	0.0%	0.4%
Tuesday, April 15	8:30 AM	EXPORT PRICE INDEX M/M	(Mar)	(L)	-	0.0%	0.1%
Tuesday, April 15	7:10 PM	Speaker: Lisa D Cook (Governor) (Voter)	-	-	-	-	-
Wednesday, April 16	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Wednesday, April 16	7:00 AM	MBA-APPLICATIONS	(Apr 11)	(L)	-	-	20.0%
Wednesday, April 16	8:30 AM	RETAIL SALES M/M	(Mar)	(H)	1.7%	1.4%	0.2%
Wednesday, April 16	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Mar)	(H)	0.8%	0.4%	0.3%
Wednesday, April 16	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Mar)	(H)	0.3%	0.5%	1.0%
Wednesday, April 16	9:15 AM	INDUSTRIAL PRODUCTION M/M	(Mar)	(H)	-0.5%	-0.3%	0.7%
Wednesday, April 16	9:15 AM	CAPACITY UTILIZATION	(Mar)	(M)	77.7%	77.9%	78.2%
Wednesday, April 16	10:00 AM	BUSINESS INVENTORIES M/M	(Feb)	(L)	-	0.4%	0.3%
Wednesday, April 16	10:00 AM	NAHB HOUSING INDEX	(Apr)	(L)	-	37	39
Wednesday, April 16	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Feb)	(L)	-	-	-\$45.2B
Wednesday, April 16	12:00 PM	Speaker: Beth Hammack (Cleveland) (Voter)	-	-	-	-	-
Wednesday, April 16	1:30 PM	Speaker: Jerome H Powell (Chairman) (Voter)	-	-	-	-	-
Wednesday, April 16	7:00 PM	Speaker: Jeffrey Schmid (Kansas City) & Lorie K. Logan (Dallas) (Non-Voter)	-	-	-	-	-
Thursday, April 17	-	AUCTION: 5-YR TIPS \$25B	-	-	-	-	-
Thursday, April 17	8:30 AM	INITIAL CLAIMS	(Apr 12)	(M)	-	-	223K
Thursday, April 17	8:30 AM	CONTINUING CLAIMS	(Apr 5)	(L)	-	-	1850K
Thursday, April 17	8:30 AM	HOUSING STARTS SAAR	(Mar)	(M)	1380K	1410K	1501K
Thursday, April 17	8:30 AM	BUILDING PERMITS SAAR	(Mar P)	(H)	1430K	1450K	1459K
Thursday, April 17	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Apr)	(M)	-	6.7	12.5
Thursday, April 17	11:45 AM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Friday, April 18	-	Markets Closed (Good Friday)	-	-	-	-	-
Friday, April 18	11:00 AM	Speaker: Mary C. Daly (San Francisco) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, Fed speakers are likely to underscore why they are sitting on their hands rather than leaning against the downdraft in growth expectations. They, like the rest of us, simply aren't sure enough on where we'll land on trade or fiscal policy to deliver a cut now, even though we did get a more reassuring print in the last CPI report. On the data front, our calls for retail sales would be a mixed bag, beating consensus on headline but disappointing for the control group figure.

In **Canada**, while we're expecting a bit of heat in food prices, we see the overall CPI reading giving the Bank of Canada just enough comfort to deliver a quarter point rate cut as a bit of a salve against diving confidence readings. That's admittedly a call that could easily go the other way, as pausing for clarity would be a reasonable option. The MPR will concede that the outlook is still highly uncertain, but one in which the trade and global backdrop presents significant downside risks. If they do cut, they will reiterate their vigilance on inflation, making it a bit of a "hawkish" cut, while if they pause, they'll clearly want to leave the door open for a further easing ahead if the economy needs it.

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

(Tuesday, 8:30 am)

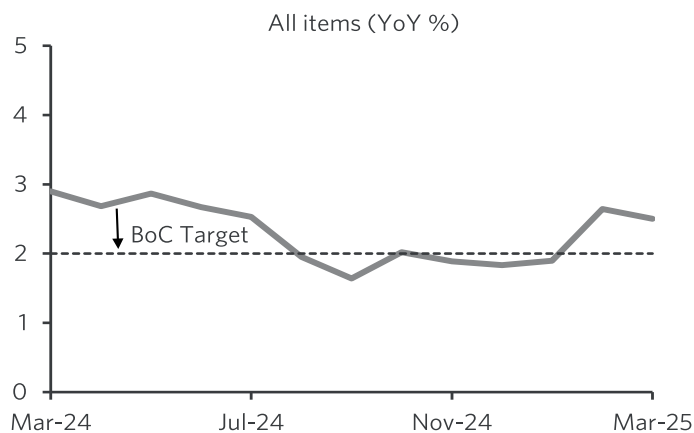
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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.5	0.7	1.1
CPI (y/y)	2.5	2.7	2.6

Price pressures likely subsided to 0.5% m/m NSA in March, leaving the annual pace a tick slower at 2.5%. A decline in gasoline prices and a deceleration in the ex. food/energy group will be behind that, offsetting further increases in food prices following the end of the federal tax holiday in mid-February. In seasonally adjusted terms, the headline index was likely up only 0.1% on the month while ex. food/energy prices could have cooled to 0.25% m/m.

The Bank of Canada's preferred core measures could have moderated to 0.2% m/m for both trim and median, with deteriorating consumer sentiment limiting demand, which would have left the annual pace of both unchanged at 2.9%. Canada's retaliatory tariffs against the US likely weren't big enough to be captured in the data, with some not taking effect until mid-month and further countermeasures announced in

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

April on autos having offsetting provisions that will limit the impact on final consumer prices.

Forecast implications — The lift to inflation from tariffs ahead will have some offset from decelerating shelter costs, a strengthening in the Canadian dollar, as well as lower prices at the pump as the carbon tax was removed in April and oil prices fell sharply. The negative impact on demand from tariffs will be more concerning for policymakers than any one-time lift to inflation, with Canada still facing tariffs on exports of steel, aluminum, lumber, and autos in the US. The Bank of Canada is therefore set to cut by 25bps at the upcoming meeting.

Week Ahead's key US number: Retail sales—March

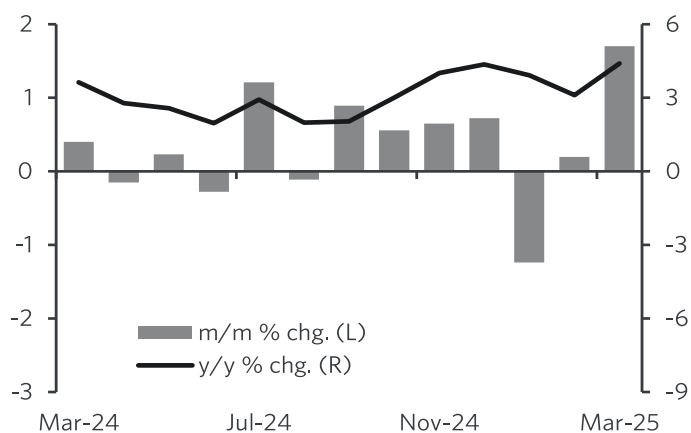
(Wednesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	1.7	1.4	0.2
Retail sales - ex auto	0.8	0.4	0.3
Retail sales - control group	0.3	0.5	1.0

Retail sales likely gained momentum in March, rising by 1.7%, following poor weather conditions that weighed on activity at restaurants in particular in the prior month. But things likely didn't look as rosy elsewhere, with the control group of sales, which feeds more directly into non-auto goods consumption in GDP, likely seeing a slowdown to 0.3% m/m, following a surge in online sales in February that likely wasn't sustained.

Chart: US retail sales



Source: Census Bureau, Haver Analytics, CIBC

Forecast implications — Most consumers have depleted excess savings at this point and there are signs of early cracks in the labor market, with those working part-time for economic reasons rising and layoff announcements picking up. The drop in the USD also leaves consumers more exposed to higher prices from tariffs, with China being the most significant supplier of consumer goods to the US. Along with the nosedive in sentiment and plummeting asset prices post-Liberation Day, and more restrictive immigration policy, that all adds up to a more cautious consumer from here.

Market impact — We're above the consensus on the headline but below on the control group, which should temper any market reaction.

Other US Releases: Industrial production—March

(Wednesday, 9:15 am)

Aggregate hours for manufacturing employees eased off in March, following a boost to activity in February as producers in the auto sector attempted to front-run tariffs. Mining hours worked also saw a pullback, suggesting that total industrial production retrenched by 0.5% m/m, leaving capacity utilization lower at 77.7%.

Housing starts—March

(Thursday, 8:30 am)

The surge in housing starts in February left activity above where permit issuance has been trending, and homebuilding likely pulled back to a 1380K pace in March, relative to the likely 1430K pace of permits. Homebuilder confidence has been depleted in recent months, as fears around cost uncertainty tied to tariffs are weighing and mortgage rates are still elevated and hampering demand.

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