

June 29 - July 3, 2026

## Ditch the dots

by Helen Lao [helen.lao@cibc.com](mailto:helen.lao@cibc.com)

The recent FOMC meeting highlighted Fed Chair Kevin Warsh's ambition to reshape the institution. Front and center is the so called "dot plot", where members of the FOMC pencil in their conditional forecasts of where the federal funds rate (FFR) is headed over the next two years. Notably, Warsh left his own set of dots out of the survey, signalling his distaste for such detailed guidance, and there are good reasons why the dots should be scrapped.

Perhaps most importantly, the dot plot has not proven to be a particularly good predictor of the actual FFR. Based on June dot plot projections over the past ten years, the actual FFR by year end has landed exactly on the median dot projection for the current year only 36% of the time, and only matched about 10% of the time for the next year (Chart).

There wasn't a fundamental hawkish or dovish bias in the misses, but in many cases they include a failure of the FFR to return towards the longer-run, or so called "neutral" dot. From 2015 to 2018, when the FFR was below the projected neutral rate, the dots assumed a quicker return to neutral than what was eventually realized. When the FFR was above neutral during 2023 to 2025, the dots projected it coming back down to neutral relatively quickly — something that never materialized.

The poor accuracy of the dot predictions should not be a surprise. Because of rapidly changing geopolitical events, incoming data and potential data revisions, the dots can become stale very quickly after publication. Yet market expectations can still be somewhat anchored to the outdated dots because they are treated as forward guidance rather than being conditional on upcoming developments. Recent Fed research agrees with this point. This creates market volatility when a dot plot changes significantly in the next meeting.

The dots are particularly unhelpful at present because of their wide dispersion. The Fed currently lacks a unified consensus view of economic outcomes ahead, with good reason. In addition to the Iran situation, there is a lot of uncertainty over the future of AI spending, and how AI implementation will affect both parts of the Fed's dual mandate. In addition, there are risks that wealth related consumption gains could stall or even reverse, given the recent strong equity market run. Each FOMC member can have different assumptions on these economic forces and different weights on the risks, but they

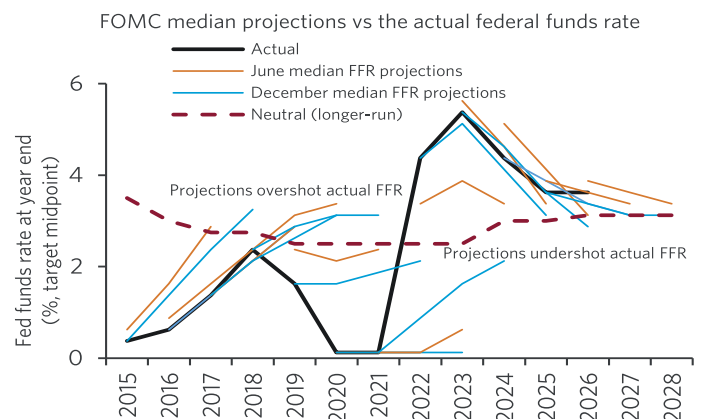
don't show these with the dots. That makes it very difficult to gauge how the dots would move if conditions change.

Finally, it's important to remember that the dot plots are not a necessity for policy communication. Most other central banks, including the Bank of Canada, don't publish dot plots or expected policy paths, yet the market still correctly predicts the central bank's reaction most of the time. The central bank can still influence the market through speeches that lay out the factors they are watching in setting policy ahead.

If the Warsh Fed ends up ditching the dots, should investors already be doing the same? Markets have moved to price in rate hikes over the balance of the year, and if that were solely based on the dot forecast, history would suggest that's an overreaction to an unreliable forecasting tool.

But while those hikes aren't yet in our published forecast, we concede that there's more than dots at play here. Q2 GDP seems to be holding up better than we expected, the labour market is still at full employment, and as we showed in our recent analysis, there are reasons why core inflation could be more sticky on the high side. We at CIBC Economics will be keeping an open mind as we look at upcoming June labour market and CPI reports, and basing any changes in our views on Fed policy on what the data have to say, rather than slavishly following the dots.

**Chart: Median dot projections don't always predict the actual federal funds rate**



Source: FRB, Summary of Economic Projections, FRB H.15

## 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, June 29	-	-	-	-	-	-	-
Tuesday, June 30	-	AUCTION: 3-M BILLS \$12.8B, 6-M BILLS \$4.6B, 1-YR BILLS \$4.6B	-	-	-	-	-
Tuesday, June 30	8:30 AM	GDP M/M	(Apr)	(H)	0.4%	0.4%	-0.1%
Wednesday, July 1	-	Markets Closed (Canada Day)	-	-	-	-	-
Wednesday, July 1	-	Panel: 2:00 PM Tiff Macklem (Governor)	-	-	-	-	-
Thursday, July 2	-	AUCTION: 5-YR CANADAS \$5B	-	-	-	-	-
Friday, July 3	-	-	-	-	-	-	-

## 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, June 29	-	-	-	-	-	-	-
Tuesday, June 30	9:00 AM	HOUSE PRICE INDEX M/M	(Apr)	(M)	-	-	0.1%
Tuesday, June 30	9:00 AM	S&P CORELOGIC CS Y/Y	(Apr)	(H)	-	-	0.8%
Tuesday, June 30	9:45 AM	CHICAGO PMI	(Jun)	(M)	-	-	62.7
Tuesday, June 30	10:00 AM	JOLTS Job Openings	(May)	(M)	-	7275K	7618K
Tuesday, June 30	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Jun)	(H)	-	94.3	93.1
Wednesday, July 1	7:00 AM	MBA-APPLICATIONS	(Jun 26)	(L)	-	-	1.0%
Wednesday, July 1	8:15 AM	ADP EMPLOYMENT CHANGE	(Jun)	(M)	-	118K	122K
Wednesday, July 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Jun)	(L)	-	-	55.7
Wednesday, July 1	10:00 AM	ISM - MANUFACTURING	(Jun)	(H)	53.5	53.8	54.0
Wednesday, July 1	10:00 AM	CONSTRUCTION SPENDING M/M	(May)	(M)	-	-	0.4%
Wednesday, July 1	9:00 AM	Speaker: Kevin Warsh (Chairman) (Voter)	-	-	-	-	-
Thursday, July 2	8:30 AM	INITIAL CLAIMS	(Jun 27)	(M)	-	220K	215K
Thursday, July 2	8:30 AM	CONTINUING CLAIMS	(Jun 20)	(L)	-	-	1821K
Thursday, July 2	8:30 AM	NON-FARM PAYROLLS	(Jun)	(H)	110K	115K	172K
Thursday, July 2	8:30 AM	UNEMPLOYMENT RATE	(Jun)	(H)	4.3%	4.3%	4.3%
Thursday, July 2	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Jun)	(H)	0.2%	0.3%	0.3%
Thursday, July 2	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Jun)	(H)	-	34.3	34.3
Thursday, July 2	8:30 AM	MANUFACTURING PAYROLLS	(Jun)	(H)	-	4K	7K
Thursday, July 2	10:00 AM	FACTORY ORDERS M/M	(May)	(M)	-3.0%	-	4.8%
Thursday, July 2	10:00 AM	DURABLE GOODS ORDERS M/M	(May)	(H)	-	-	-4.5%
Thursday, July 2	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(May)	(H)	-	-	1.3%
Friday, July 3	-	Markets Closed (Independence Day)	-	-	-	-	-

## Week Ahead's market call

by Avery Shenfeld

In the **US**, in addition to celebrating the country's July 4th birthday, Americans will be able to cheer what is still a very healthy labour market. While we expect a cooling in job gains after three solid months, a 110K pace in June should still leave the unemployment rate at a lean 4.3%. If anything, at this point, the risks are getting too much a good thing, and need to see some slowing in hiring, and a return to a more moderate 0.2% monthly gain for average hourly earnings, to keep our call for a stand-pat Fed this year in place. The May JOLTS data, while a bit more dated, will provide additional colour on labour market tightness, while the factory ISM should remain in growth territory. Warsh has a speaking engagement on Wednesday, but we're getting used to a Fed Chair who keeps his cards close to his vest and eschews forward guidance.

In **Canada**, we haven't seen anything to contradict the flash estimate for April GDP, so we see the first actual reading coming in with a 0.4% gain. That's a healthy reading, and one we very much needed to see as a sign that the economy is growing again after two successive negative quarters. That will come just ahead of Canada's own birthday on July 1st, with nothing on the data calendar over the balance of the week.

## Week Ahead's key Canadian number: Gross domestic product—April

(Tuesday, 8:30 am)

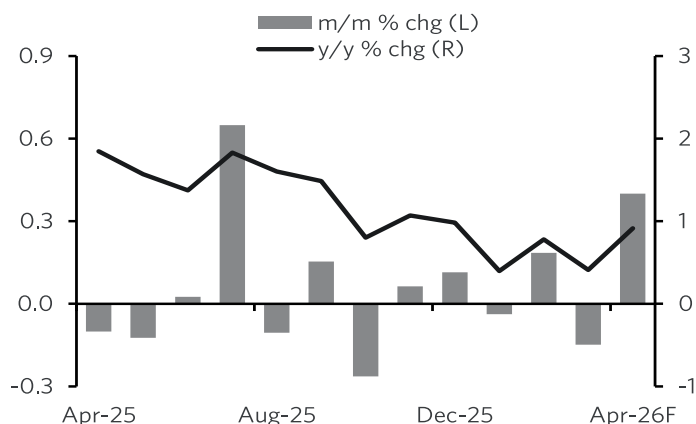
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Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.4	0.4	-0.1

The Canadian economy likely grew strongly at the start of the second quarter, helped in part by a rebound in the mining, oil and gas sector which had been disrupted by a number of factors during the prior month. Manufacturing activity should also be a positive, while the start of census work could have also boosted activity in public administration.

Looking ahead to May's advance estimate, a strong employment report, further increase in manufacturing activity and higher homes sales point to another solid month for GDP. If that proves to be the case, early tracking for Q2 could be in the 2-2.5% range.

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

**Forecast implications** — Even with Q2 growth likely tracking above 2% following this GDP release, growth over the first half of the year would still be no better than the Bank of Canada's previous forecast due to the weakness seen in the first quarter. Moreover, Q2 growth is likely stronger than the underlying trend, as it is flattered by a rebound in oil production as well as FIFA World Cup preparations. We therefore see the economy decelerating again in the third quarter, and for there to be enough slack remaining in the economy to warrant interest rates being left on hold throughout the remainder of 2026.

## Week Ahead's key US number: Employment situation—June

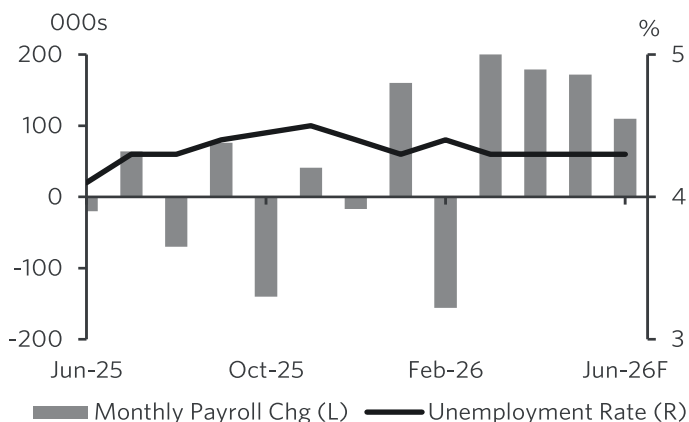
(Thursday, 8:30 am)

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Variable	CIBC	Mkt	Prior
Employment (m/m)	110K	115K	172K
Unemployment rate	4.3%	4.3%	4.3%
Avg hourly earnings (m/m)	0.2%	0.3%	0.3%

May's 172K headline job gains largely came from local government (55K, the highest monthly job gains since March 2024) and leisure and hospitality (70K) partly due to the FIFA World Cup. While we think the strength in leisure and hospitality could be extended in June, we are unlikely to see another significant increase in local government employment. Net hiring in health care and social assistance has been decelerating for the last two months, and we expect that to continue in June as job gains in the sector normalize after strength in Q1. Our 110K forecast pace for payrolls gains should still be sufficient to keep the unemployment rate unchanged at 4.3%. We expect average hourly earnings to decelerate a touch to grow at 0.2% in June from 0.3% in May, but in line with the monthly growth in the previous two months prior.

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

**Forecast implications** — We continue to expect the US labour market to operate at around full employment, holding the unemployment rate unchanged. A labour market in balance, inflation creeping up, and still-resilient GDP growth will keep Fed rate hike chatter alive, and we'll need to see some cooling in wages and core inflation to stick with our stand-pat forecast for the fed funds rate.

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