

## Economics

# THE WEEK AHEAD

December 18 - 22, 2023

## Our two song parodies for two generations

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

For our more “experienced” clients:

### Macklem’s Rate Hike Hammer

(To the tune of The Beatles, Maxwell’s Silver Hammer) <https://www.youtube.com/watch?v=mJag19WoAe0>

Tiff was quizzical, studied economical  
science all alone  
Late nights all alone with his models, ohh uh oh oh  
Macklem’s genuine, deflationary medicine  
Hits us right at home  
Can I cut your spending down to the bone, on my own?

But as we’re getting ready to grow  
A knock comes on the door  
Bang, bang, Macklem’s rate hike hammer  
Came down upon our head  
Bang, bang, Macklem’s rate hike hammer  
Made sure that growth was dead

At his desk again, Macklem’s feeling stressed again  
Freeland seemed annoyed  
Wishing to avoid an unpleasant scene  
She tells Tiff to pause, while inflation had its flaws  
So he underlines  
Saying fifty times I can not do so, uh oh oh  
And when she turns her back on the Gov  
He creeps up from behind

Bang, bang, Macklem’s rate hike hammer  
Came down upon her head (do-do, do-do do)  
Bang, bang, Macklem’s rate hike hammer  
Made sure inflation’s dead

CPI one day, said inflation’s gone away  
Macklem stands in awe  
Seeing such incredible progress oh, uh oh oh  
Ben and Avery, in the peanut gallery  
Say he must cut rates (Macklem must cut rates)  
The Gov does not agree and he tells them so, uh oh oh

But as the words are leaving his lips,  
A noise comes from behind  
Bang, bang, Macklem’s rate cut hammer  
Comes down to save the day (do-do do-do do)  
Bang, bang, Macklem’s rate cut hammer  
Makes sure to pave our way.

Whoa, whoa, whoa, oh  
(Do-do, do-do do)

For our younger clients:

## Are We Out Of The Woods Yet (Avery's version)

(Sung to Taylor Swift's song by the same name) <https://www.youtube.com/watch?v=gp1MR2WAAXY>

Looking at it now  
It all seemed so simple  
We're relying on low rates  
I remember

We had a pandemic hit us  
Then discovered (Then discovered)  
The state of the world was just too tight  
And rates were screaming higher  
And I remember thinking

Are we out of the woods yet?  
Are we finding those goods yet?  
Are rate hikes all done yet?  
Will investors have fun?

Are we in the clear yet?  
Will this be bonds' year yet?  
Can Powell ease yet?  
Give an ease yet, good

Are we out of the woods yet?  
Is inflation good yet?  
Is there a slump yet?  
Are we due for Trump?

Are we in the clear yet?  
Or sitting in fear yet?  
See the Street cheer yet?  
In the clear yet, good  
(Are we out of the woods?)

Looking at it now  
In December (In December)  
We're not doomed to fall apart  
We'll hold together, hold together

Ooh, high rates were hanging round my neck  
That drag we couldn't quite forget  
When Jay decided, he decided  
To cut the fed funds rate so we could dance  
Baby, now we stood a chance  
To see our markets flying, flying, flying  
And I remember thinking

Are we out of the woods yet?  
Can we find all those goods yet?  
Has twitter gone bust yet?  
Are we done with Musk?

Are we in the clear yet?  
Will a rally appear yet?  
Are we in the clear?  
In the clear yet, good

Are the offices filled yet?  
Or is real estate killed yet?  
Is there housing to build yet?  
Are we out of the woods?

Are we in the clear yet  
Is a rally here yet?  
Are we in the clear?  
No recession, good

Remember when Jay hit the brakes too hard?  
Twenty months in a tightening gloom  
When bonds started diving, baby, I did too  
But now the sun's come up, things not looking so blue

Remember when we couldn't take the heat?  
I looked out, I said "It's climate change, see"  
But the fires turned out to burn the trees  
When the sun came up, you had gone carbon free

You had gone carbon free, huh  
You were protesting me  
Are we out of the woods yet, etc.

## 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, December 18	-	AUCTION: 5-YR CANADAS \$4B	-	-	-	-	-
Tuesday, December 19	-	AUCTION: 3-M BILLS \$11.6B, 6-M BILLS \$4.2B, 1-YR BILLS \$4.2B	-	-	-	-	-
Tuesday, December 19	8:30 AM	CPI M/M	(Nov)	(H)	0.0%	-0.2%	0.1%
Tuesday, December 19	8:30 AM	CPI Y/Y	(Nov)	(H)	3.0%	2.8%	3.1%
Tuesday, December 19	8:30 AM	Consumer Price Index	(Nov)	(M)	-	-	158.6
Tuesday, December 19	8:30 AM	CPI Core- Median Y/Y%	(Nov)	(M)	3.4%	-	3.6%
Tuesday, December 19	8:30 AM	CPI Core- Trim Y/Y%	(Nov)	(M)	3.4%	-	3.5%
Tuesday, December 19	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Nov)	(M)	-	-	-1.0%
Tuesday, December 19	8:30 AM	RAW MATERIALS M/M	(Nov)	(M)	-	-	-2.5%
Wednesday, December 20	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Thursday, December 21	-	AUCTION: 10-YR CANADAS \$4B	-	-	-	-	-
Thursday, December 21	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Oct)	-	-	-	22.1K
Thursday, December 21	8:30 AM	RETAIL TRADE TOTAL M/M	(Oct)	(H)	0.8%	0.8%	0.6%
Thursday, December 21	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Oct)	(H)	0.0%	-	0.2%
Friday, December 22	8:30 AM	GDP M/M	(Oct)	(H)	0.2%	-	0.1%
Friday, December 22	8:30 AM	GDP (annualized)	(Oct)	(H)	-	-	0.6%

## 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, December 18	10:00 AM	NAHB HOUSING INDEX	(Dec)	(L)	-	38.0	34.0
Tuesday, December 19	8:30 AM	BUILDING PERMITS SAAR	(Nov)	(H)	1470K	1460K	1498K
Tuesday, December 19	8:30 AM	HOUSING STARTS SAAR	(Nov)	(M)	1355K	1360K	1372K
Tuesday, December 19	12:30 PM	Speaker: Raphael W. Bostic (Atlanta) (Non-Voter)	-	-	-	-	-
Wednesday, December 20	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Wednesday, December 20	7:00 AM	MBA-APPLICATIONS	(Dec 15)	(L)	-	-	7.4%
Wednesday, December 20	8:30 AM	CURRENT ACCOUNT BALANCE	(3Q)	(L)	-	-\$196.5B	-\$212.1B
Wednesday, December 20	10:00 AM	EXISTING HOME SALES SAAR	(Nov)	(M)	-	3.8M	3.8M
Wednesday, December 20	10:00 AM	EXISTING HOME SALES M/M	(Nov)	(M)	-	-0.5%	-4.1%
Wednesday, December 20	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Dec)	(H)	103.0	103.8	102.0
Thursday, December 21	-	AUCTION: 5-YR TIPS \$20B	-	-	-	-	-
Thursday, December 21	8:30 AM	INITIAL CLAIMS	(Dec 16)	(M)	-	-	202K
Thursday, December 21	8:30 AM	CONTINUING CLAIMS	(Dec 9)	(L)	-	-	1876K
Thursday, December 21	8:30 AM	GDP (annualized)	(3Q T)	(H)	-	5.2%	5.2%
Thursday, December 21	8:30 AM	GDP DEFLATOR (annualized)	(3Q T)	(H)	-	-	3.6%
Thursday, December 21	8:30 AM	PHILADELPHIA FED	(Dec)	(M)	-	-3.0	-5.9
Thursday, December 21	10:00 AM	LEADING INDICATORS M/M	(Nov)	(M)	-	-0.4%	-0.8%
Friday, December 22	8:30 AM	PCE DEFLATOR Y/Y	(Nov)	(H)	2.9%	2.8%	3.0%
Friday, December 22	8:30 AM	PCE DEFLATOR Y/Y (core)	(Nov)	(H)	3.4%	3.4%	3.5%
Friday, December 22	8:30 AM	PERSONAL INCOME M/M	(Nov)	(H)	0.3%	0.4%	0.2%
Friday, December 22	8:30 AM	PERSONAL SPENDING M/M	(Nov)	(H)	0.5%	0.2%	0.2%
Friday, December 22	8:30 AM	DURABLE GOODS ORDERS M/M	(Nov P)	(H)	2.0%	2.6%	-5.4%
Friday, December 22	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Nov P)	(H)	0.0%	0.1%	0.0%
Friday, December 22	10:00 AM	NEW HOME SALES SAAR	(Nov)	(M)	700K	688K	679K
Friday, December 22	10:00 AM	NEW HOME SALES M/M	(Nov)	(M)	3.1%	1.3%	-5.6%
Friday, December 22	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Dec)	(H)	-	69.4	69.4

## Week Ahead's market call

by Avery Shenfeld

In the **US**, markets have significantly overshot the Fed's signaling on the timing and magnitude of rate cuts for 2024, leaving both equities and bonds vulnerable to giving back some of that on any upside surprises for growth or inflation. But that's not really going to be put to the test until early January's payrolls report. The releases on tap in the coming week are either of second order importance (e.g. housing starts), or like the PCE price index, and the personal spending/income numbers, reasonably telegraphed by earlier data (on CPI, retailing, payrolls and wages). Our call is a somewhat above consensus for personal spending, which could see consensus forecasts for Q4 growth heading higher.

In **Canada**, the Bank of Canada's core measures are likely to continue their slow creep lower, while headline inflation holds nearly steady at 3.0%. Headline inflation in upcoming months will be bounced around by changes in the year-on-year profile for gasoline, but a further cooling in core measures will be key to our call for a first rate cut in Q2. GDP growth looks to have been slightly positive in October based on the flash number and subsequent data, setting the stage for a positive quarter overall, even if, as we expect, the flash number for November is slightly negative.

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

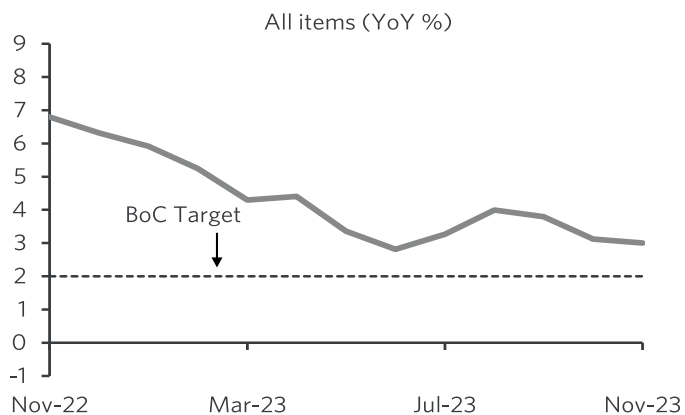
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.0	-0.2	0.1
CPI (y/y)	3.0	2.8	3.1

Inflation likely held nearly steady at 3.0% year-over-year in November, with prices unchanged on the month (+0.2% seasonally adjusted). While gasoline prices were broadly flat in November, other energy prices may have been a positive contributor. Food price inflation should have continued to advance at a slower pace than a year ago. Excluding food and energy, inflation may have accelerated slightly on a year-over-year basis. However, with the drivers of core inflation becoming less widespread (mainly rents and mortgage interest costs), the Bank of Canada's preferred CPI-trim and CPI-median measures of inflation likely continued to gradually decelerated.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

**Forecast implications** — Headline inflation may look a little firmer again in the next couple of months, largely due to less favourable base effects on gasoline prices, before decelerating more sustainably towards the end of Q1 and into Q2 next year. At that time the Bank of Canada's preferred core measures of inflation should also be below the top end of the 1-3% inflation target bound, enabling policymakers to start gradually reducing interest rates starting in June.

## Other Canadian releases: Gross domestic product—October

(Friday, 8:30 am)

Economic activity likely rose by 0.2% in October, matching the advance estimate and driven in part by a further recovery in mining, oil & gas following the wildfire disruptions of the summer. However, judging by a sharp decline in hours worked from the labour force survey, the initial estimate for November GDP may show at least a partial giveback of October's advance.

## Week Ahead's key US number: Personal income & outlays—November

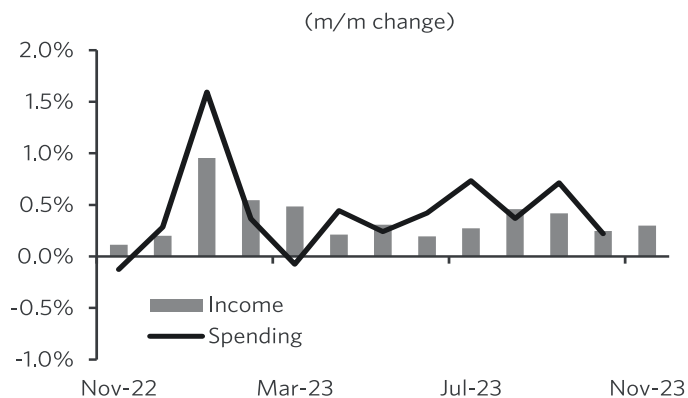
(Friday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.3	0.4	0.2
Personal spending (m/m)	0.5	0.2	0.2
Core PCE price index (y/y)	3.4	3.4	3.5

Following last week's retail sales blowout, the personal income and spending report will provide investors more details about the US consumers' holiday spending appetite. We estimate nominal spending will have increased by 0.5% m/m, with a 0.1% increase in prices and very a solid 0.4% real spending gain. Based on the labour report, personal income should rise by a very healthy 0.3% in the month. The net result should be a saving rate that continues to fall and drops to a very low 3.4%. These numbers could tilt the FOMC towards greater patience in terms of the timing of the first rate cuts, given the need to lean more against the risk of higher demand-induced inflation down the road.

Chart: US Personal income and spending



Source: BEA, Haver Analytics, CIBC

**Forecast implications** — The strength in consumption is going to push our GDP nowcast for 23Q4 higher by 0.7 percentage points to 2.2% at an annualized rate, all else equal. Our goods consumption nowcast is on pace to match the nearly 5% annualized pace seen in the previous quarter.

**Market implications** — We're above consensus on spending, which could have markets shedding some of their recent bullishness in fixed income markets.

## Other US Releases: Housing starts—November

(Tuesday, 8:30 am)

Housing starts should come in soft, edging down to 1355K, and sitting about 20-30% below its pre-pandemic trend. New home sales should rebound modestly after a decline in October but also will remain about 20 to 25% below its pre-pandemic trend.

## Durable goods orders—November

(Friday, 8:30 am)

Durable goods orders should rebound by 2% as the lumpy pattern of airplane deliveries sees an uptick in November. But ex-transport orders could be flat for the second consecutive month, capturing the drag from high interest rates on this sector.

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