

Economics

THE WEEK AHEAD

May 4 - 8, 2026

Time is money...sometimes

by Avery Shenfeld avery.shenfeld@cibc.com

They say that time is money, and time has been ticking by while we wait for a resolution of the conflict in the Persian Gulf. We're now about two weeks past when we initially had expected the Straits to be reopened, and in terms of oil production, two weeks could mean a month or more. The longer the delay, the more fields face "tank tops" and have to shut down production due to the lack of storage capacity. In turn, the longer a well is shut, the more issues and delays there are in restoring its flow. We also dig deeper into existing reserves as these weeks go by, leaving less of a cushion against elevated prices.

For North American oil producers, each week in which a return of Middle East oil shipments is pushed back is another week of loftier income, so time is indeed money in the pockets of their shareholders. That goes for some governments as well. Alberta based its budget on an average WTI price of US\$60.50 over the 2026-27 fiscal year. While there are also sensitivities to the light-heavy differential, nat-gas prices and other variables, on its own, a \$10/bbl increase adds nearly \$7 bn to the budget balance. A couple of months of \$90-\$100/bbl oil, and a slower return to, say \$75/bbl, could easily wipe out the province's projected \$9.3 bn deficit this year and leave room for some added spending as the cherry on top.

There's a less-favourable implication of a further delay in a US-Iran deal, in which time would be money, but in this case a cost, for borrowers. The Fed made it clear that rate cuts are off the table until there's a clear path back to lower inflation, with a few FOMC voters not sure that the next move would indeed be a cut. The Bank of Canada threatened consecutive rate hikes if it became clear that the energy shock was persistent and spilling over into a broader inflation upturn, while not seeing that outcome as its most likely base case.

But for central bankers, fixed income investors and equity markets, exactly when the Straits reopen, or just how high the near term price peak will be, isn't nearly as important as it will be for oil futures traders. That's obviously true for equity valuations, which are based on long term earnings and dividend flows that won't change much due to a disruption that lasts a

few quarters. That explains how quickly equity prices can rally if there's even a whiff of an end to this conflict.

Central bankers will understand that, as noted above, a later resolution could meaningfully stretch out the timetable for returning fuel prices to lower levels. But once such a path is in sight because the parties have signed on to a deal, monetary policy setters aren't going to add rate hikes, or eschew rate cuts if the economy really needs them, while they watch oil prices start to slide.

Bank of Canada Governor Macklem underscored that point in his press conference, noting that given the lags in how rate changes impact the economy, a rate hike today could end up imposing a drag after the inflation threat has passed. He therefore won't hike in September if at that point oil prices are on a descending path. The only downside here is that, absent the war, the Bank of Canada might have at least been toying with the idea of easing policy if we saw a further uptick in the jobless rate in the next few months, because pre-war inflation was actually on target.

Similarly, under the assumption that we will get the Straits reopened sooner or later, the majority on the Fed was also willing to assume that if there's a further adjustment in rates, it would be an ease. That said, we are pushing back the timing of the first of two quarter point rate cuts to December (from September), giving some room for a longer delay in getting energy costs down.

Still sitting close to full employment, the US is at a greater risk than Canada of seeing energy costs spill over into core inflation. Unlike its northern neighbour, the American economy had yet to see core inflation decelerate to the 2% target prior the war. The Fed will therefore want to be some ways down the backside of this oil price trajectory before concluding that core inflation has a credible path to 2% in 2027. And we'll need to also see some convincing evidence that the American economy actually needs lower interest rates to stay near the Fed's full employment target.

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, May 4	-	-	-	-	-	-	-
Tuesday, May 5	-	AUCTION: 3-M BILLS \$17.6B, 6-M BILLS \$6.2B, 1-YR BILLS \$6.2B	-	-	-	-	-
Tuesday, May 5	8:30 AM	MERCHANDISE TRADE BALANCE	(Mar)	(H)	-\$2.2B	-\$2.8B	-\$5.7B
Wednesday, May 6	-	AUCTION: 2-YR CANADAS \$5.5B	-	-	-	-	-
Wednesday, May 6	10:00 AM	IVEY PMI	(Apr)	(L)	-	-	49.7
Thursday, May 7	-	-	-	-	-	-	-
Friday, May 8	8:30 AM	EMPLOYMENT CHANGE	(Apr)	(H)	20.0K	5.0K	14.1K
Friday, May 8	8:30 AM	UNEMPLOYMENT RATE	(Apr)	(H)	6.7%	6.7%	6.7%

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, May 4	10:00 AM	FACTORY ORDERS M/M	(Mar)	(M)	1.0%	0.4%	0.0%
Monday, May 4	10:00 AM	DURABLE GOODS ORDERS M/M	(Mar)	(H)	-	0.8%	0.8%
Monday, May 4	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Mar)	(H)	-	-	0.9%
Monday, May 4	12:50 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Tuesday, May 5	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Mar)	(H)	-\$61.7B	-\$59.0B	-\$57.3B
Tuesday, May 5	9:45 AM	S&P GLOBAL US SERVICES PMI	(Apr)	(L)	-	-	51.3
Tuesday, May 5	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Apr)	(L)	-	-	52.0
Tuesday, May 5	10:00 AM	ISM - SERVICES	(Apr)	(M)	53.0	53.7	54.0
Tuesday, May 5	10:00 AM	NEW HOME SALES SAAR	(Mar)	(M)	645K	668K	-
Tuesday, May 5	10:00 AM	NEW HOME SALES M/M	(Mar)	(M)	-	-	-17.6%
Tuesday, May 5	10:00 AM	JOLTS Job Openings	(Mar)	-	-	6867K	6882K
Tuesday, May 5	10:00 AM	Speaker: Michelle W. Bowman (Governor) (Voter)	-	-	-	-	-
Tuesday, May 5	12:30 PM	Speaker: Michael S. Barr (Governor) (Voter)	-	-	-	-	-
Wednesday, May 6	7:00 AM	MBA-APPLICATIONS	(May 1)	(L)	-	-	-1.6%
Wednesday, May 6	8:15 AM	ADP EMPLOYMENT CHANGE	(Apr)	(M)	-	79K	62K
Wednesday, May 6	9:30 AM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Wednesday, May 6	1:00 PM	Speaker: Austan D. Goolsbee (Chicago) (Non-Voter)	-	-	-	-	-
Thursday, May 7	8:30 AM	INITIAL CLAIMS	(May 2)	(M)	-	197K	189K
Thursday, May 7	8:30 AM	CONTINUING CLAIMS	(Apr 25)	(L)	-	-	1785K
Thursday, May 7	8:30 AM	NON-FARM PRODUCTIVITY	(1Q P)	(M)	0.4%	-	1.8%
Thursday, May 7	10:00 AM	CONSTRUCTION SPENDING M/M	(Mar)	(M)	-	-	-0.3%
Thursday, May 7	3:00 PM	CONSUMER CREDIT	(Mar)	(L)	-	\$12.5B	\$9.5B
Thursday, May 7	2:05 PM	Speaker: Beth M. Hammack (Cleveland) (Voter)	-	-	-	-	-
Thursday, May 7	3:30 PM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Friday, May 8	8:30 AM	NON-FARM PAYROLLS	(Apr)	(H)	45K	60K	178K
Friday, May 8	8:30 AM	UNEMPLOYMENT RATE	(Apr)	(H)	4.3%	4.3%	4.3%
Friday, May 8	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Apr)	(H)	0.3%	0.3%	0.2%
Friday, May 8	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Apr)	(H)	-	34.2	34.2
Friday, May 8	8:30 AM	MANUFACTURING PAYROLLS	(Apr)	(H)	-	5K	15K
Friday, May 8	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(May P)	(H)	-	49.4	49.8
Friday, May 8	10:00 AM	WHOLESALE INVENTORIES M/M	(Mar)	(L)	-	-	1.4%
Friday, May 8	5:45 AM	Speaker: Lisa D. Cook (Governor) (Voter)	-	-	-	-	-
Friday, May 8	7:30 PM	Speaker: Christopher J. Waller, Michelle W. Bowman, Mary C. Daly and Austan D. Goolsbee	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, we face yet another week of watching for developments in the Middle East. We're a bit discouraged to see the White House going back to the idea of getting allied naval forces to ferry oil tankers through the Strait of Hormuz, given lukewarm support from other countries, and shippers' reluctance to try their luck with that approach. But Iran is still engaged in sending proposals to end the conflict, so stay tuned. The jobs data should be strong enough to keep the unemployment rate at 4.3%. Jobless claims are still low, but layoff announcements could signal a softer trend ahead.

In **Canada**, we could see a second monthly rebound in LFS employment coming on the heels of a huge drop in February, but higher labour force participation might leave the unemployment rate stuck at an elevated 6.7%. Weak summer job prospects for students could offset hiring for the census and see the jobless rate tick a bit higher ahead. We'll see the first month of higher oil prices narrow the trade deficit in March, with more of that on the table for April.

Week Ahead's key Canadian number: Labour force survey—April

(Friday, 8:30 am)

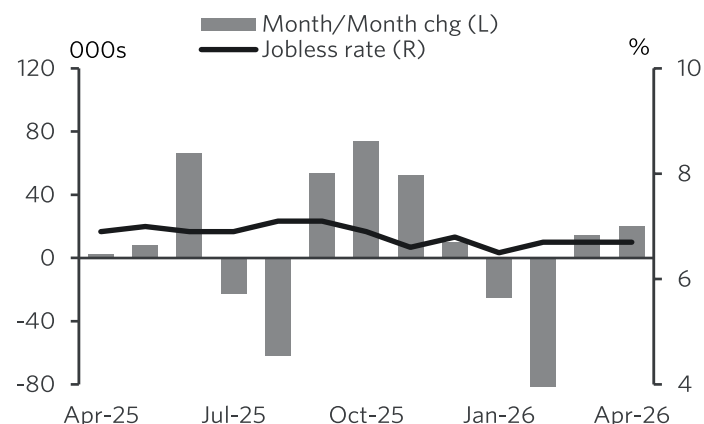
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Variable	CIBC	Mkt	Prior
Employment (m/m)	20.0K	5.0K	14.1K
Unemployment rate	6.7%	6.7%	6.7%

Employment increased modestly in March, but the rebound was somewhat disappointing given the scale of declines seen in the previous two months. Further job growth should be seen in April, with the recent trend in hiring within this report still looking a little weaker than that suggested by the SEPH numbers and also at odds with the improvement in overall economic growth so far in 2026. Some government hiring related to the 2026 census may show up in these April figures, but with the majority of jobs running from May to July, this should be a bigger factor next month.

While population growth is expected to be very minimal again in April, an uptick in participation will ensure modest labour force growth and mean that the 20K increase in jobs that we forecast won't be enough to bring the jobless rate lower.

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Temporary hiring related to the census may boost the employment figures for a couple of months, but weakness could show up again over the summer months particularly if young people again find it difficult to secure part-time work. And with higher energy costs likely to prevent some businesses adding to their headcount, we're not forecasting much improvement in the aggregate unemployment rate until late this year and in 2027.

Other Canadian releases: Merchandise trade balance—March

(Tuesday, 8:30 am)

The surge in global oil prices seen in March should boost energy exports and see a narrowing in the Canadian trade deficit, even if the volume of oil exports were little changed relative to the previous month. We forecast a \$2.2bn shortfall, which would be much narrower than the \$5.7bn deficit that was reported for February.

Week Ahead's key US number: Employment situation—April

(Friday, 8:30 am)

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Variable	CIBC	Mkt	Prior
Employment (m/m)	45K	60K	178K
Unemployment rate	4.3%	4.3%	4.3%
Avg hourly earnings (m/m)	0.3%	0.3%	0.2%

Labor market performance has been choppy lately, with the six-month average trend in job gains sitting at a low 15K. Surveys show that jobs are hard to come by, in line with the low job openings rate and layoff announcements in tech. Compounded by uncertainty tied to the war in Iran and weakness in cyclical sectors including residential construction and manufacturing, employers likely added only 45K jobs in April. Given the slowdown in population growth, that could have left the unemployment rate steady at 4.3%.

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

Forecast implications — Job creation remains lacklustre and was on display in the slowdown in consumption in the first quarter. Still, business investment in productivity-enhancing technology continues to drive growth. With the unemployment rate contained, the Fed will remain focused on keeping inflation expectations anchored, and is likely to remain on hold until December.

Market implications — We are only slightly below the consensus, so a report in line with our views would not be a market mover.

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