

Economics

THE WEEK AHEAD

December 20-24, 2021

'Twas the night before Christmas

by Avery Shenfeld avery.shenfeld@cibc.com

'Twas the night before Christmas, and all through the nation
Not a person was travelling and none on vacation
Their white masks were hung on their faces with care
With hopes that the virus would not soon be there.

When out on the roadway it parked with brakes squealing
The Amazon truck with gifts piled to the ceiling
Since with money to burn and our Covid frustrations
Our demand for such goods had surpassed expectations.

As dry leaves that before the wild hurricane fly
When supply chains are stretched prices mount to the sky
So up through the target the CPI flew
With new and used cars and some food prices too.

When what to my wondering eyes should I see
A short little man with a doctor's degree
His eyes with a twinkle, not stern and not grouchy
I knew in a flash that it must be Doc Fauci.

He was dressed in a suit from his head to his shoes
And he answered our prayers on the national news
A bundle of vaccines he had on his back
And he tossed them out to us from his weighty sack.

He spoke not a word as he went to his work
A Pfizer, Moderna he'd inject with a jerk
A first shot, a second, and if that won't suffice
A booster this winter would also be nice.

Now Alpha, now Beta, now Gamma and Mu
Now Lambda, now Delta and Omicron too
We're immune to your worst so begone now we say
And by spring the pandemic was fading away.

The markets revived and the Fed blew the whistle
And its rate hikes sent inflation on down like a missile
But Fauci exclaimed ere he drove out of sight
Merry Christmas to All and to All a Good Night.

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 20	-	Government Bond Purchase Program (GBPP): 10-YR	-	-	-	-	-
Monday, December 20	-	AUCTION: 10-YR CANADAS \$4B	-	-	-	-	-
Tuesday, December 21	-	AUCTION: 3-M BILLS \$8B, 6-M BILLS \$3B, 1-YR BILLS \$3B	-	-	-	-	-
Tuesday, December 21	8:30 AM	RETAIL TRADE TOTAL M/M	(Oct)	(H)	1.0%	-	-0.6%
Tuesday, December 21	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Oct)	(H)	1.8%	-	-0.2%
Wednesday, December 22	-	Government Bond Purchase Program (GBPP): 5-YR	-	-	-	-	-
Thursday, December 23	8:30 AM	GDP M/M	(Oct)	(H)	0.8%	-	0.1%
Thursday, December 23	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Oct)	-	-	-	-
Friday, December 24	-	-	-	-	-	-	-

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 20	10:00 AM	LEADING INDICATORS M/M	(Nov)	(M)	-	0.9%	0.9%
Tuesday, December 21	-	20-YR AUCTION: \$20B	-	-	-	-	-
Tuesday, December 21	8:30 AM	CURRENT ACCOUNT BALANCE	(Q3)	(L)	-	-\$206.2B	-\$190.3B
Wednesday, December 22	7:00 AM	MBA-APPLICATIONS	(Dec 17)	(L)	-	-	-
Wednesday, December 22	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Nov)	(M)	-	-	0.76
Wednesday, December 22	8:30 AM	GDP (annualized)	(Q3T)	(H)	2.1%	2.1%	2.1%
Wednesday, December 22	8:30 AM	GDP DEFLATOR (annualized)	(Q3T)	(H)	-	5.9%	5.9%
Wednesday, December 22	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Dec)	(H)	109.5	-	109.5
Wednesday, December 22	10:00 AM	EXISTING HOME SALES SAAR	(Nov)	(M)	-	6.55M	6.34M
Wednesday, December 22	10:00 AM	EXISTING HOME SALES M/M	(Nov)	(M)	-	3.3%	0.8%
Thursday, December 23	-	AUCTION: 5-YR TIPS \$17B	-	-	-	-	-
Thursday, December 23	8:30 AM	INITIAL CLAIMS	(Dec 18)	(M)	-	200K	206K
Thursday, December 23	8:30 AM	CONTINUING CLAIMS	(Dec 11)	(L)	-	-	1845K
Thursday, December 23	8:30 AM	PCE DEFLATOR Y/Y	(Nov)	(H)	5.8%	5.7%	5.0%
Thursday, December 23	8:30 AM	PCE DEFLATOR Y/Y (core)	(Nov)	(H)	4.6%	4.5%	4.1%
Thursday, December 23	8:30 AM	PERSONAL INCOME M/M	(Nov)	(H)	0.5%	0.5%	0.5%
Thursday, December 23	8:30 AM	PERSONAL SPENDING M/M	(Nov)	(H)	0.8%	0.5%	1.3%
Thursday, December 23	8:30 AM	DURABLE GOODS ORDERS M/M	(Nov P)	(H)	2.3%	1.8%	-0.4%
Thursday, December 23	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Nov P)	(H)	0.7%	0.6%	0.5%
Thursday, December 23	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Dec F)	(H)	-	70.4	70.4
Thursday, December 23	10:00 AM	NEW HOME SALES SAAR	(Nov)	(M)	780K	770K	745K
Thursday, December 23	10:00 AM	NEW HOME SALES M/M	(Nov)	(M)	-	3.3%	0.4%
Friday, December 24	-	-	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, inflation will be the story behind the personal consumption data, with a solid nominal gain not quite as rosy in real terms. The PCE measure of inflation will reflect what we already know from the CPI, which is that inflation is tracking high enough above the Fed's target to tilt the central bank towards a hawkish bias. We're on the high side of consensus for durable goods orders, but closer in line for the ex-transport component.

In **Canada**, assuming retail sales come in as we expect for October, that month's GDP should represent a solid start to the quarter. What's coming beyond that, however, won't be as rosy, with activity hit first by the BC floods, and now by the arrival of the omicron variant and a likely pull back in services activity, at least for a couple of months. So enjoy the solid October data for now, because it could be a while before that sort of momentum returns.

Week Ahead's key Canadian number: GDP—October

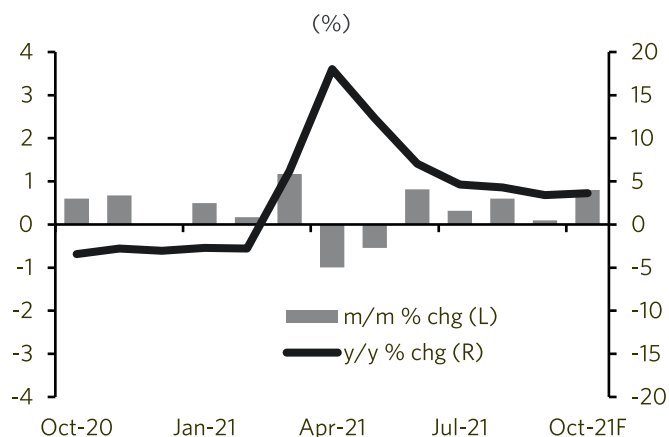
(Thursday, 8:30 am)

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GDP (%)	CIBC	Mkt	Prior
GDP m/m (Oct)	0.8	-	0.1

A resurgence in the auto industry was a key driver of the outsized increase in October GDP. Supply chain bottlenecks, which had been plaguing the industry, appear to have eased at least somewhat during the month, resulting in a jump in both manufacturing and wholesaling activity. Elsewhere, services sectors also showed healthy, albeit not as impressive, gains in hours worked. The real news, however, will show up in the flash estimate of November GDP. The strong jobs report missed the impacts of the flooding in BC that occurred towards the middle of the month, but Statistics Canada might do better in capturing its impact on GDP. As a result, look for November flash GDP to show a softer gain.

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Heading into the omicron wave, Canada's economy was speeding ahead. But now, with restrictions being reimposed and mobility likely to fall, that momentum is set to hit a speed bump early in the new year.

Other Canadian releases: Retail sales—October

(Tuesday, 8:30 am)

New vehicle sales were struggling again in October, despite the recovery in auto manufacturing and wholesaling. As a result, the 1% advance in total retail sales that we're forecasting is largely due to higher prices. Consumer prices rose 0.6% month-over-month in seasonally adjusted terms, with gas prices up 5% alone. The October retail sales numbers were already previewed by the flash estimate in the last retail sales release. As a result, the most watched piece of data will be the November sneak peek, which might indicate another small gain in nominal sales. However, that will again largely be the result of prices, with early indications on Canadian car sales and US holiday shopping trends not supporting a robust gain in volumes.

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

(Thursday, 8:30 am)

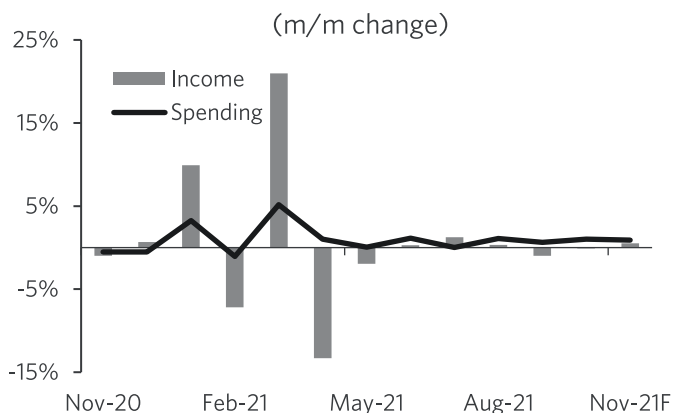
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Personal income and outlays (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.5	0.5	0.5
Personal spending (m/m)	0.8	0.5	1.3
Core PCE price index (y/y)	4.6	4.5	4.1

With holiday shopping having been pulled forward into October this year, spending on services will be the main driver of the expected 0.8% gain in total spending in November. Despite the acceleration in delta Covid cases during the month, airport screenings and hotel occupancy rates increased, with the latter exceeding 2019 levels for the Thanksgiving time period. Incomes likely rose by 0.5% on labor compensation gains.

Total PCE price inflation likely accelerated to 5.8% y/y, and core PCE prices could have reached 4.6% y/y.

Chart: US Personal income and spending



Source: BEA, Haver Analytics, CIBC

Forecast implications — With the delta Covid wave already escalating in many states in the Midwest and Northeast as activity moves indoors, the winter months will prove challenging for services activity as the omicron variant adds to those pressures. The expected acceleration in inflation reinforces the Fed's newly hawkish stance.

Market impact — We are above the consensus on the spending figure, which could put upwards pressure on the USD and bond yields.

Other US Releases: Durable goods orders—November

(Thursday, 8:30 am)

Durable goods orders likely advanced by 2.3% in November, helped by early signs of a disentanglement of supply chains in the transportation sector ahead of the discovery of the omicron variant. Excluding transportation, orders could have remained solid at 0.7% as demand for capital goods could have been supported by the continued recovery in capacity utilization in the industrial sector.

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