



Economics

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THE WEEK AHEAD

October 19-23, 2020

How Can We Unlock Down?

by Avery Shenfeld

My home fridge seems all too easy to get into, but with most doors, it's more of an effort to tug them open than to push them shut. That now seems to be the issue with some business doors in Canada, Europe and parts of the US. We spent weeks or months getting to the point where restaurants, bars, and gyms could reopen in places like Montreal, Toronto and Brooklyn, but it wasn't long before health authorities judged it necessary to close them again.

That will have economic consequences in Canadian data for October and November. The damage to monthly GDP growth will be far from the tumble from February to April, when many more venues were shuttered, and we were starting from a point at which these businesses were running at full tilt. Still, that won't dull the pain for those in the affected sectors, and they must surely be questioning whether this will be a one-month halt or worse. Can we, in fact, unlock those doors before a vaccine is widely in place?

The common features of gyms, bars and cold-weather restaurant dining is that they are indoors, unmasked, and have patrons sitting or working out for an extended period in a room with those they don't live with. Unless they are quintuplets, those five 20-somethings sitting two feet apart at their bar table probably aren't brothers. That makes them easier targets for Covid transmission than if they were in a high-ceilinged supermarket, or if they spent five minutes picking up milk at a corner store.

But there are in fact countries that have managed to open these establishments, and mostly keep them open, during a global pandemic. These include several countries on the Asian side of the Pacific Rim, including the place where it all started, China, but Newfoundland & Labrador also qualifies. What lessons can we learn from their experience?

First, you need to smash the curve before reopening such venues, not just "flatten" it. If community caseloads are at extremely low levels, the odds that the person at the next table has Covid are also very low. Step two is that once you're at that point, it's easier to prevent a few scattered cases from starting a larger wave through diligent testing, contact tracing and strict quarantine enforcement. Third, retain all the measures that had been put into place for restaurants/bars/gyms under Covid (perhaps keeping masks on in gyms), but add a look at ventilation, which experts are now citing as of importance in suppressing spread across a room.

Step one might require a lot of patience, which risks extending the new shutdowns beyond a single month. If so, we need to look at a line from the recent Throne Speech, which pledged targeted support for particularly affected sectors. We'll pay laid off staff employment benefits while they wait for the lockdown to end, but the owners are no less deserving if we ask them to make sacrifices for the good of broader public health. Rent subsidies are part of that response, but perhaps take-out meals and alcohol to-go at bars should be sales tax free? We'll need to think creatively if it takes longer than a month to unlock this lockdown.



Week Ahead Calendar And Forecast

	CANADA			UNITED STATES		
	CIBC	Consensus	Prior	CIBC	Consensus	Prior
Monday October 19	Government Bond Purchase Program (GBPP): 10-YR AUCTION: 10-YR CANADAS \$5B 8:30 AM WHOLESALE TRADE M/M (Aug) (M) 0.2% 4.3% 10:30 AM BoC Business Outlook (Q3)			Speaker: 8:00 AM Jerome H Powell (Chairman) (Neutral, Voter*) Speaker: 11:45 AM Richard Clarida (Vice Chairman) (Neutral, Voter*) Speaker: 2:20 PM Raphael W. Bostic (President, Atlanta) (Dovish, Non-Voter*) Speaker: 3:00 PM Patrick T. Harker (President, Philadelphia) (Neutral, Non-Voter*) CASH MGMT. 119-DAY: \$30B CASH MGMT. 42-DAY: \$30B 8:30 AM HOUSING STARTS SAAR (Sep) (M) 1452K 1416K BUILDING PERMITS SAAR (Sep) (H) 1460K 1520K Speaker: 9:00 AM John C. Williams (President, New York) (Neutral, Voter*) Speaker: 10:50 AM Randal Keith Quarles (Vice Chairman) (Neutral, Voter*) Speaker: 1:00 PM Charles L. Evans (President, Chicago) (Dovish, Voter*)		
Tuesday October 20	AUCTION: 3-M BILLS \$5.6B, 6-M BILLS \$2.2B, 1-YR BILLS \$2.2B IMPP: 5-YRS NHA MBS PURCHASE Government Bond Purchase Program (GBPP): SHORT END BoC TERM REPO OPERATION: 357 Days \$3B BoC TERM REPO OPERATION: 721 Days \$6B			20-YR AUCTION: \$22B 7:00 AM MBA-APPLICATIONS (Oct 16) (L) -0.7% 2:00 PM FED'S BEIGE BOOK		
Wednesday October 21	Government Bond Purchase Program (GBPP): 5-YR AUCTION: 5-YR CANADAS \$5B 8:30 AM RETAIL TRADE TOTAL M/M (Aug) (H) 1.0% 0.6% RETAIL TRADE EX-AUTO M/M (Aug) (H) 0.7% -0.4% CPI M/M (Sep) (H) -0.3% -0.1% CPI Y/Y (Sep) (H) 0.3% 0.1% CPI Core- Common Y/Y% (Sep) (M) 1.4% 1.5% CPI Core- Median Y/Y% (Sep) (M) 1.9% CPI Core- Trim Y/Y% (Sep) (M) 1.7%			Speaker: 10:00 AM Loretta Mester (President, Cleveland) (Hawkish, Non-Voter*) AUCTION: 5-YR TIPS \$17B 8:30 AM INITIAL CLAIMS (Oct 17) (M) 898K CONTINUING CLAIMS (Oct 10) (L) 10018K 10:00 AM LEADING INDICATORS M/M (Sep) (M) 1.0% EXISTING HOME SALES SAAR (Sep) (M) 6.20M EXISTING HOME SALES M/M (Sep) (M) 3.3% 2.4%		
Thursday October 22	Government Bond Purchase Program (GBPP): 2-YR AUCTION: 2-YR CANADAS \$7B			9:45 AM MARKET US SERVICES PMI (Oct P) (L) 54.6 MARKET US COMPOSITE PMI (Oct P) (L) 54.3 MARKET US MANUFACTURING PMI (Oct P) (L) 53.2		
Friday October 23	Government Bond Purchase Program (GBPP): 30-YR					

Note (*): Bloomberg

H, M, L = High, Medium or Low Significance

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Week Ahead's Market Call

by Avery Shenfeld

In the **US**, housing starts and permits won't show any growth, but overall these will still be healthy readings for a sector benefiting from low interest rates these days. For political watchers, there's the final Presidential debate on Thursday, and fiscal stimulus talks that now have a three way logjam, with the White House and McConnell not on the same page, and then a further gap to what House Democrats are seeking.

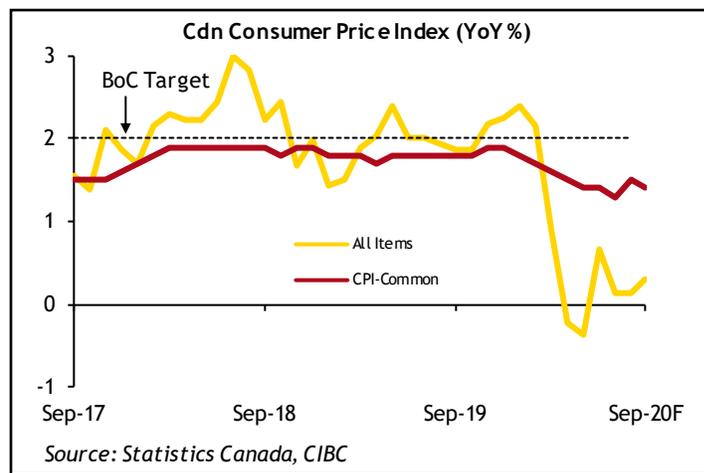
In **Canada**, we doubt that the Bank of Canada's outlook survey has much value, not only because respondents can't know what's in store from Covid, but also because with different parts of the economy following such divergent paths, a modest sample of firms might not be very representative of the true weighted average outlook. Wholesale trade should see only a modest uptick. Seasonally low food prices typically mean a soft monthly change for September's NSA CPI, but we're also look for the common component core rate to ease a tick on 12-month basis.

Week Ahead's Key Canadian Number:**Consumer Price Index—September**

(Wednesday, 8:30 a.m.)

Royce Mendes (416) 594-7354

	CIBC	Mkt	Prior
CPI m/m (NSA)	-0.3%	N/A	-0.1%
CPI yr/yr	0.3%	N/A	0.1%
CPI-common	1.4%	N/A	1.5%



Consumers have received a rare break this year in the form of soft price pressures, even after adjusting for changing spending patterns according to the Bank of Canada and Statistics Canada. That trend is likely to have continued in September, with headline prices falling in not-seasonally adjusted (NSA) terms.

September is typically a weak month for consumer prices, in part because of declining grocery store bills, as an increase in the supply of domestic produce pushes prices down. That likely occurred again this year, as did a typical back-to-school lull in gasoline prices. That said, the usual September bump in clothing prices might be more subdued, with parents less focused on the latest gear this year and retailers struggling with inventory overhang. In addition, last year's Ontario provincial government promise to freeze post-secondary tuition costs in 2020 will restrain education prices more than would be typical of the month.

In contrast, September airfare and travel service prices might not fall as much as they have in recent years since both had already been offering major discounts during the summer months. And Statistics Canada tells us that, for now, the introduction of a fixed-price scheme for unlimited domestic flights by the nation's largest airline won't be included. Adding it all up, less seasonal strength in clothing and tuition fees will likely offset the reduced drag from airfares and travel services, leaving the price index simply falling in line with the usual trend in September.

Forecast Implications — Any way you look at inflation, whether it be headline, COVID adjusted, or core, price pressures look weak. That suggests fears of surging prices due either to supply shortages or an abundance of stimulus are still misplaced. As a result, the Bank of Canada will be keeping its pedal to the metal in terms of monetary easing for some time, the only question being how policymakers calibrate programs to stimulate while still minimizing any adverse impacts on market functioning.

Other Canadian Releases:**Retail Sales — August**

(Wednesday, 8:30 am)

The fall and winter are setting up to be a challenging time for the economy, but as of August, the retail sector was posting another record level of sales. Look for retailing to have gained an additional 1% during the month, in line with Statistics Canada's flash estimate. Early indications suggest auto sales held up well, and our credit card data show continued strength in other categories, including building materials and furniture, appliances & electronics and also suggest further recovery in clothing and footwear

sales. That said, gas stations likely offset some of that strength as prices were falling. Grocery stores might also have come back down further as outdoor dining at restaurants continued to rebound from ground lost earlier in the pandemic. While it all adds up to another month of gains, there are headwinds on the horizon as virus cases continue to pile up and the holiday season looks less cheery.

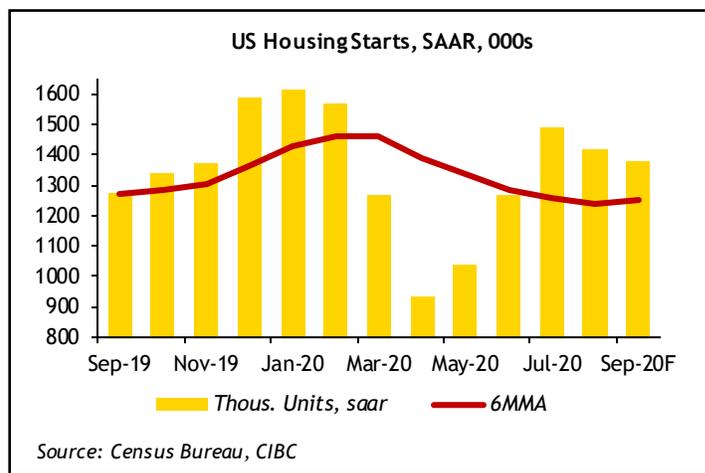
Week Ahead’s Key US Number:

Housing Starts—September

(Tuesday, 8:30 a.m.)

Katherine Judge (416) 956-6527

	CIBC	Mkt	Prior
Housing Starts	1420K	1452K	1416K
Building Permits	1460K	1520K	1476K



The US housing market has been one of the strongest areas of the economy, with activity in the single-family segment supported by low mortgage rates and pent-up demand. Homebuilder confidence hit a record high level in September, however, wild fires on the west coast could have held back progress in housing starts, leaving the pace of building unchanged from the prior month. Building permit issuance could have lost some momentum, as pent-up demand could have eased.

Forecast Implications — With an overhang of building permits remaining from the spring months, homebuilding should remain somewhat resilient ahead, however, permit issuance is expected to slow along with the fading of pent-up demand, and job security concerns as the pace of the recovery slows.

Market Impact — We are below the consensus, but markets will likely remain more focused on fiscal support discussions, as well as news on the Covid front.

CANADIAN RELEASE AND EVENT DATES October/November 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
12 THANKSGIVING DAY (HOLIDAY) (MarketS Closed)	13	14	15 ADP EMPLOYMENT SURVEY 8:30 AM	16 INT'L TRANSACTIONS IN SECURITIES C\$BN, NET 8:30 AM BONDS MONEY STOCKS TOT MARKET JUN -6.5 -2.0 -5.7 -14.3 JUL -16.4 7.4 0.5 -8.5 AUG 12.2 1.1 2.3 15.5 SURVEY OF MANUFACTURING 8:30 AM SHIPMENTS M Y JUN 23.4 -13.6 JUL 7.2 -6.2 AUG -2.0 -8.8
19 WHOLESALE TRADE 8:30 AM Bank of Canada Business Outlook Survey	20	21 RETAIL TRADE 8:30 AM (Current\$) M Y JUN 22.7 3.0 JUL 0.6 2.7 AUG CPI 8:30 AM M Y JUL 0.0 0.1 AUG -0.1 0.1 SEP	22	23
26	27	28 Bank of Canada Interest Rate Announcement & Monetary Policy Report Bank of Canada Governor Macklem & Sr. Dep. Gov. Wilkins speak at 11:15 AM ET	29 BUILDING PERMITS (\$) 8:30 AM M M (RES) (NON-RES) JUL -4.0 3.5 AUG 7.1 -8.6 SEP	30 GDP BY INDUSTRY 8:30 AM (2002\$) GDP IND.PROD. M M JUN 6.5 7.9 JUL 3.0 4.7 AUG INDUSTRIAL PRICES 8:30 AM M (NSA) Y JUL 0.7 -2.4 AUG 0.3 -2.3 SEP
2	3	4 MERCHANDISE TRADE 8:30 AM \$MN 12 MO. BALANCE JUL -2,534 -24,094 AUG -2,446 -25,114 SEP	5	6 LABOUR FORCE SURVEY 8:30 AM AVG EMPLOY UNEMP HRLY (HSHOLD) RATE EARN M Y % Y AUG 1.4 -5.3 10.2 6.0 SEP 2.1 -3.6 9.0 5.4 OCT IVEY PURCHASING MANAGERS' INDEX 10:00 AM
9	10	11 REMEMBRANCE DAY (HOLIDAY) (Bond Market Closed)	12	13

All data seasonally adjusted except where noted "NSA". M: per cent change from previous month. Q: per cent change from previous quarter at annual rates. Y: per cent change from year earlier. AR: Annual Rate. YTD: Year to date. Release dates are provided by sources outside CIBC World Markets Inc. Dates are subject to change. Sources for historical data: Statistics Canada, CMHC, Human Resources Development Canada and the Bank of Canada.

U.S. RELEASE AND EVENT DATES October/November 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
12 COLUMBUS DAY (HOLIDAY) (Treasury Markets Closed)	13 CPI 8:30 AM M(SA) Y (NSA) JUL 0.6 1.0 AUG 0.4 1.3 SEP 0.2 1.4 TREASURY BUDGET 2:00 PM <i>BOT (9:00) REDBOOK (8:55)</i>	14 PPI 8:30 AM M (SA) Y (SA) JUL 0.6 -0.4 AUG 0.3 -0.2 SEP 0.4 0.5	15 PHILADELPHIA FED INDEX 8:30 PM <i>INITIAL JOBLESS CLAIMS (8:30)</i>	16 RETAIL SALES 8:30 AM M Y JUL 1.1 2.7 AUG 0.6 2.8 SEP 1.9 5.4 CAPACITY UTIL./IND. PROD. 9:15 AM LEV M Y JUL 71.6 -9.7 -6.8 AUG 72.0 -8.7 -7.0 SEP 71.5 -7.7 -7.3 BUSINESS INVENTORIES 10:00 AM MICHIGAN SENTIMENT (P) 10:00 AM NET CAPITAL INFLOWS TICS 4:00 PM
19	20 HOUSING STARTS 8:30 AM Mn. M/M JUL 0.894 17.9 AUG 0.927 -5.1 SEP <i>BOT (9:00) REDBOOK (8:55)</i>	21 Beige Book	22 EXISTING HOME SALES 10:00 AM LEADING INDICATOR 10:00 AM <i>INITIAL JOBLESS CLAIMS (8:30)</i>	23
26 NEW HOME SALES 10:00 AM	27 DURABLE GOODS ORDERS 8:30 AM M Y JUL 11.7 -4.5 AUG 0.4 -4.6 SEP S&P/CASE-SHILLER HOUSE PRICE INDEX 9:00 AM CONSUMER CONFIDENCE 10:00 AM <i>BOT (9:00) REDBOOK (8:55)</i>	28 ADV. TRADE IN INTERNATIONAL GOODS 8:30 AM	29 GDP 8:30 AM (AR) REAL IMPLICIT GDP DEFLATOR 20:Q1 -5.0 1.4 20:Q2 -31.4 -1.8 20:Q3(adv)	30 PERS. INC & OUT. 8:30 AM SAVING INCOME CONS RATE M M AR JUL 0.5 1.5 17.7 AUG -2.7 1.0 14.1 SEP ECI 8:30 AM WAGES & TOTAL SALARY BEN. 20:Q1 0.8 0.9 0.4 20:Q2 0.5 0.4 0.8 20:Q3 CHICAGO PMI 9:45 AM MICHIGAN SENTIMENT (F) 10:00 AM
2 ISM MFG SURVEY 10:00 AM COMP. PRICES INDEX INDEX AUG 56.0 59.5 SEP 55.4 62.8 OCT	3 FACTORY ORDERS 10:00 AM M(SA) Y(NSA) JUL 6.5 -6.0 AUG 0.7 -5.4 SEP LIGHT VEHICLES SALES MIL (AR) AUG 15.183 -11.0 SEP 16.341 -4.3 OCT <i>BOT (9:00) REDBOOK (8:55)</i>	4 ADP SURVEY 8:15 AM GOODS & SERV. BALANCE (BOP) \$B 8:30 AM GDS SERV TOT JUL -80.8 17.4 -63.4 AUG -83.9 16.8 -67.1 SEP ISM NON-MFG SURVEY 10:00 AM	5 NON-FARM PRODUCTIVITY 8:30 AM Q/Q (AR) Y/Y 20:Q1 -0.3 0.9 20:Q2 10.1 2.8 20:Q3 FOMC Rate Decision Fed Chair Powell speaks @ 2:30 PM ET <i>INITIAL JOBLESS CLAIMS (8:30)</i>	6 EMPLOY. SITUATION 8:30 AM NON- CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN AUG 1489 8.4 4.8 SEP 661 7.9 4.6 OCT WHOLESALE TRADE 10:00 PM CONSUMER CREDIT 3:00PM
9	10 <i>BOT (9:00) REDBOOK (8:55)</i>	11 VETERAN'S DAY (HOLIDAY) (Treasury Markets Closed)	12 CPI 8:30 AM M(SA) Y (NSA) AUG 0.4 1.3 SEP 0.2 1.4 OCT TREASURY BUDGET 2:00 PM <i>INITIAL JOBLESS CLAIMS (8:30)</i>	13 PPI 8:30 AM M (SA) Y (SA) AUG 0.3 -0.2 SEP 0.4 0.5 OCT MICHIGAN SENTIMENT (P) 10:00 AM

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