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THE WEEK AHEAD

September 21-25, 2020

The Tone from the Throne

by Avery Shenfeld

Canada's parliament will get back to work in the coming week, and the focus will be on the quaint tradition we inherited from Westminster, the Speech from the Throne. It's not the Queen, but the Governor General who delivers it, and it's not her script, but one handed to her from the governing party. So markets will be listening for clues on what's next for fiscal policy at the federal level, and from what we're hearing, this won't be as sweeping a vision, or as big in terms of dollar commitments, as some in the media have suggested.

For one, dollars and cents are typically matters for budgets, not throne speeches. Deficit estimates from the early summer are now woefully out of date, but not necessarily as much of an undercount as you might think. Consensus forecasts for the 2020 economy have moved higher, improving estimates for revenues. But we won't hear those details until a budget in November.

Second, the timing is all wrong for Ottawa to lay out a green-focused, expensive, grand plan for "building back better." Those may be laudable goals, but they require extensive federal-provincial cooperation and considerable policy innovation to achieve, and governments across the country have other preoccupations these days.

As the Finance Minister herself just rightfully put it, for now, the best economic growth plan entails keeping the virus in check,

and we would add, cushioning its blow to household spending and business solvency while we wait for a vaccine or an effective treatment. There's little doubt that the public will judge this government by its ability to do that, and those efforts aren't cheap.

Today's deficits are affordable given that they are funded at ultra-low interest rates, but over time, the role of the Bank of Canada in buying up a lot of the addition to outstanding debt will have to give way to financing all of it with net supply to the market. Keeping yields at reasonable levels beyond 2021 will require Ottawa to present a fiscally-responsible plan that will allow the deficit to plunge as the economy rebounds.

We've argued that is doable, since the vast majority of this year's budget shortfall owes to emergency spending, benefits to the unemployment, wage subsidies, and temporarily depressed revenues. But we'll need to have spending fall sharply after 2021 as these costs roll off, and not replace them with large, permanent new spending commitments.

Whatever we'll need to do to promote sustainable long-term growth, we should be thinking about doing it within the context of the more moderate levels for the path of spending that were projected back in 2019. Bond markets will be listening to the tone from the throne for hints that the government also sees it that way, although we'll have to wait for a budget to be sure.



Week Ahead Calendar And Forecast

	CANADA	UNITED STATES	CIBC	Consensus	Prior
Monday September 21	Government Bond Purchase Program (GBPP): 30-YR IMPP: 5-YRS MBS PURCHASE (Up to \$20B)	8:30 AM CHICAGO FED NAT. ACTIVITY INDEX Speaker: 12:00 PM Lael S. Brainard (Governor) (Neutral, Voter*)		1.19	1.18
Tuesday September 22	AUCTION: 3-M BILLS \$5.6B, 6-M BILLS \$2.2B, 1-YR BILLS \$2.2B Government Bond Purchase Program (GBPP): SHORT END BoC TERM REPO OPERATION: 364 Days \$3B BoC TERM REPO OPERATION: 728 Days \$6B	2-YR AUCTION: \$52B CASH MGMT. 119-DAY: \$30B CASH MGMT. 42-DAY: \$30B 8:30 AM EXISTING HOME SALES SAAR EXISTING HOME SALES M/M 10:00 AM RICHMOND FED MANUF. INDEX Speaker: 10:00 AM Charles L. Evans (President, Chicago) (Dovish, Voter*) Speaker: 10:30 AM Jerome H Powell (Chairman) (Neutral, Voter*)		6.00M 2.4%	5.86M 24.7%
Wednesday September 23	Government Bond Purchase Program (GBPP): 2-YR AUCTION: 3-YR CANADAS \$5B Federal Throne Speech	5-YR AUCTION: \$53B AUCTION: 2-YR FRN \$22B 7:00 AM MBA- APPLICATIONS 9:45 AM MARKIT US SERVICES PMI MARKIT US COMPOSITE PMI MARKIT US MANUFACTURING PMI Speaker: 9:00 AM Loretta Mester (President, Cleveland) (Hawkish, Non-Voter*) Speaker: 10:00 AM Jerome H Powell (Chairman) (Neutral, Voter*) Speaker: 11:00 AM Charles L. Evans (President, Chicago) (Dovish, Voter*) Speaker: 12:00 PM Eric Rosengren (President, Boston) (Hawkish, Voter*) Speaker: 2:00 PM Randal Keith Quarles (Vice Chairman) (Neutral, Voter*) Speaker: 3:00 PM Mary C. Daly (President, San Francisco) (Dovish, Non-Voter*)		54.5 53.5	55.0 54.6 53.1
Thursday September 24	Government Bond Purchase Program (GBPP): 10-YR AUCTION: 10-YR CANADAS \$5B 8:30 AM PAYROLL EMPLOYMENT, EARNINGS & HRS	7-YR AUCTION: \$50B 8:30 AM INITIAL CLAIMS CONTINUING CLAIMS 10:00 AM NEW HOME SALES SAAR NEW HOME SALES M/M Speaker: 10:00 AM Jerome H Powell (Chairman) (Neutral, Voter*) Speaker: 12:00 PM James Bullard (President, St Louis) (Dovish, Voter*) Speaker: 1:00 PM Charles L. Evans (President, Chicago) (Dovish, Voter*)		845K	860K 12628K
Friday September 25	Government Bond Purchase Program (GBPP): 5-YR	8:30 AM DURABLE GOODS ORDERS M/M DURABLE GOODS ORDERS EX-TRANS M/M Speaker: 9:00 AM John C. Williams (President, New York) (Neutral, Voter*) Speaker: 3:10 PM John C. Williams (President, New York) (Neutral, Voter*) Note (*): Bloomberg		855K	891K 901K 13.9%
SAAR = Seasonally Adjusted Annual Rate H, M, L = High, Medium or Low Significance Consensus Source: Bloomberg					

Week Ahead's Market Call

by Avery Shenfeld

In the **US**, we think the easiest gains associated with the economic reopening are behind us, and in that regard, see this week's reports on home sales and durable orders coming in below consensus estimates. The election seems to be moving into a higher gear, and poll watching will be relevant from here to the first Tuesday in November for the sectors most impacted by which party wins the White House and Congress. News on vaccine timing also seems to be an increasing market driver.

In **Canada**, the Liberals will unveil their plans in a Thorne Speech (see cover). A week with no major economic reports will divert eyes to another set of data, the daily Covid-19 case counts in the country's four largest provinces. We've seen mini-steps to retighten social distancing rules, but thus far, business sectors that were allowed to open in Stage 3, including indoor restaurants, bars and gyms, remain open. It will take a couple of weeks to see if the measures taken thus far are impacting case counts, with further increases putting those Stage 3 sectors at risk.

There are no key Canadian numbers this week.

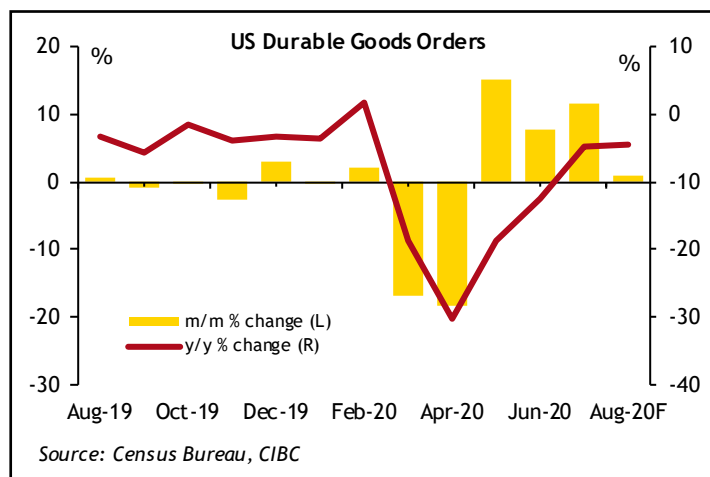
Week Ahead’s Key US Number:

Durable Goods Orders—August

(Friday, 8:30 a.m.)

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	CIBC	Mkt	Prior
Durable Goods Orders m/m	0.8%	1.4%	11.4%
Ex. Transportation m/m	0.5%	1.0%	2.6%



August appears to have been another challenging month for commercial aircraft orders, as net cancellations were booked for the third month in a row. It's possible, however, that motor vehicle orders could have offset that, given that inventories remain lean relative to sales in that sector. Overall durable goods orders should have therefore advanced by 0.8%, leaving them still 5% below pre-pandemic levels.

Although the ISM's new orders component increased sharply in August, that only shows the breadth of firms seeing rising orders, rather than the magnitude of the increase in aggregate orders. It looks like orders excluding transportation only edged forward in August, as demand faltered amidst elevated virus cases and a still challenged energy sector. A 0.5% gain in that group would leave orders roughly flat to pre-pandemic levels.

Forecast Implications — With second waves of the virus beginning globally, the demand outlook has been jeopardized, which could limit further progress in durable goods orders in the months ahead. Moreover, spare capacity in the mining sector in particular, suggests that capital goods orders could be challenged going forward, prolonging the recovery in business investment in equipment.

Market Impact — We are slightly below the consensus on the more important ex-transportation measure which could see yields fall.

CANADIAN RELEASE AND EVENT DATES September/October 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
14	15	16	17	18
	SURVEY OF MANUFACTURING 8:30 AM SHIPMENTS M Y MAY 11.7 -31.3 JUN 23.0 -14.1 JUL 7.0 -6.9	CPI 8:30 AM M Y JUN 0.8 0.7 JUL 0.0 0.1 AUG -0.1 0.1 INT'L TRANSACTIONS IN SECURITIES C\$BN, NET 8:30 AM BONDS MONEY STOCKS TOT MARKET MAY 25.0 7.4 -10.0 22.4 JUN -6.4 -2.0 -5.7 -14.1 JUL -16.4 7.4 0.5 -8.5	ADP EMPLOYMENT SURVEY 8:30 AM	RETAIL TRADE 8:30 AM (Current\$) M Y MAY 21.2 -16.3 JUN 22.7 3.0 JUL 0.6 2.7 WHOLESALE TRADE 8:30 AM
21	22	23	24	25
		Federal Throne Speech	PAYROLL EMPLOYMENT, EARNINGS & HOURS 8:30 AM	
28	29	30	1	2
	INDUSTRIAL PRICES 8:30 AM M (NSA) Y JUN 0.2 -3.3 JUL 0.7 -2.3 AUG	GDP BY INDUSTRY 8:30 AM (2002\$) GDP IND.PROD. M M MAY 4.8 5.4 JUN 6.5 7.5 JUL	BUILDING PERMITS (\$) 8:30 AM M M (RES) (NON-RES) JUN 8.3 0.8 JUL -6.2 3.3 AUG	
5	6	7	8	9
	MERCHANDISE TRADE 8:30 AM \$MN 12 MO. BALANCE JUN -1,589 -23,972 JUL -2,451 -23,966 AUG	IVEY PURCHASING MANAGERS' INDEX 10:00 AM	HOUSING STARTS 8:15 AM 000's (AR) TOTAL SINGLES JUL 245 47 AUG 262 47 SEP	LABOUR FORCE SURVEY 8:30 AM AVG EMPLOY UNEMP HRLY (HSHOLD) RATE EARN M Y % Y JUL 2.4 -6.3 10.9 5.7 AUG 1.4 -5.3 10.2 6.0 SEP
12	13	14	15	16
THANKSGIVING DAY (HOLIDAY) (MarketS Closed)			ADP EMPLOYMENT SURVEY 8:30 AM	INT'L TRANSACTIONS IN SECURITIES C\$BN, NET 8:30 AM BONDS MONEY STOCKS TOT MARKET JUN -6.4 -2.0 -5.7 -14.1 JUL -16.4 7.4 0.5 -8.5 AUG SURVEY OF MANUFACTURING 8:30 AM SHIPMENTS M Y JUN 23.0 -14.1 JUL 7.0 -6.9 AUG

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 September/October 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
14	15	16	17	18
	CAPACITY UTIL/IND. PROD. 9:15 AM LEV M Y JUN 68.7 6.1 -10.8 JUL 71.1 3.5 -7.4 AUG 71.4 0.4 -7.7	RETAIL SALES 8:30 AM M Y JUN 8.6 2.2 JUL 0.9 2.4 AUG 0.6 2.6 BUSINESS INVENTORIES 10:00 AM FOMC Rate Decision Fed Chair Powell speaks @ 2:30 PM ET NET CAPITAL INFLOWS TICS 4:00 PM	PHILADELPHIA FED INDEX 8:30 PM HOUSING STARTS 8:30 AM Mn. M/M JUN 0.887 21.9 JUL 0.894 17.9 AUG 0.927 -5.1	CURRENT ACCOUNT BALANCE 8:30 AM LEADING INDICATOR 10:00 AM MICHIGAN SENTIMENT (P) 10:00 AM
	<i>BOT (9:00) REDBOOK (8:55)</i>		<i>INITIAL JOBLESS CLAIMS (8:30)</i>	
21	22	23	24	25
	EXISTING HOME SALES 10:00 AM		NEW HOME SALES 10:00 AM	DURABLE GOODS ORDERS 8:30 AM M Y JUN 7.7 -12.4 JUL 11.2 -5.0 AUG
	<i>BOT (9:00) REDBOOK (8:55)</i>		<i>INITIAL JOBLESS CLAIMS (8:30)</i>	
28	29	30	1	2
	ADV. TRADE IN INTERNATIONAL GOODS 8:30 AM S&P/CASE-SHILLER HOUSE PRICE INDEX 9:00 AM CONSUMER CONFIDENCE 10:00 AM	ADP SURVEY 8:15 AM GDP 8:30 AM (AR) REAL IMPLICIT GDP DEFLATOR 19:Q4 2.4 1.4 20:Q1 -5.0 1.4 20:Q2 (3rd)	PERS. INC & OUT. 8:30 AM SAVING INCOME CONS RATE M M AR JUN -1.0 6.2 19.2 JUL 0.4 1.9 17.8 AUG ISM MFG SURVEY 10:00 AM COMP. PRICES INDEX INDEX JUL 54.2 53.2 AUG 56.0 59.5 SEP LIGHT VEHICLES SALES MIL (AR) Y JUL 14.627 -13.8 AUG SEP	EMPLOY. SITUATION 8:30 AM NON-CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN JUL 1734 10.2 4.6 AUG 1371 8.4 4.9 SEP FACTORY ORDERS 10:00 AM M(SA) Y(NSA) JUN 6.4 -10.4 JUL 6.4 -6.2 AUG MICHIGAN SENTIMENT (F) 10:00 AM
	<i>BOT (9:00) REDBOOK (8:55)</i>		<i>INITIAL JOBLESS CLAIMS (8:30)</i>	
5	6	7	8	9
ISM NON-MFG SURVEY 10:00 AM	GOODS & SERV. BALANCE (BOP) \$B 8:30 AM GDS SERV TOT JUN -71.7 18.2 -53.5 JUL -80.9 17.4 -63.6 AUG	FOMC Minutes CONSUMER CREDIT 3:00PM		WHOLESALE TRADE 10:00 PM
	<i>BOT (9:00) REDBOOK (8:55)</i>		<i>INITIAL JOBLESS CLAIMS (8:30)</i>	
12	13	14	15	16
COLUMBUS DAY (HOLIDAY) (Treasury Markets Closed)	CPI 8:30 AM M(SA) Y (NSA) JUL 0.6 1.0 AUG 0.4 1.3 SEP	PPI 8:30 AM M (SA) Y (SA) JUL 0.6 -0.4 AUG 0.3 -0.2 SEP	PHILADELPHIA FED INDEX 8:30 PM	RETAIL SALES 8:30 AM M Y JUL 0.9 2.4 AUG 0.6 2.6 SEP CAPACITY UTIL/IND. PROD. 9:15 AM LEV M Y JUL 71.1 3.5 -7.4 AUG 71.4 0.4 -7.7 SEP BUSINESS INVENTORIES 10:00 AM MICHIGAN SENTIMENT (P) 10:00 AM NET CAPITAL INFLOWS TICS 4:00 PM
	<i>BOT (9:00) REDBOOK (8:55)</i>		<i>INITIAL JOBLESS CLAIMS (8:30)</i>	

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: U.S. Department of Commerce, U.S. Department of Labor and U.S. Federal Reserve Board.

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