



## Economics

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# THE WEEK AHEAD

July 6-10, 2020

## We The North...Have a Problem

by Avery Shenfeld

Canadians, and our neighbours in northern US states, might be feeling a bit smug these days. The coronavirus has by no means been vanquished here, and remains an economic barrier. But we're getting a bit of schadenfreude from watching developments further south, as states like Florida, Texas, Arizona and California are forced to backtrack on reopening measures to get Covid-19 outbreaks under control.

That said, we in the north have a problem ahead, and it's called winter. Seasonally-adjusted data, of course, strips out the usual slowing when deep freezes arrive. Florida and Arizona might miss snowbird tourists, but winter will also have some more -than-seasonal downsides for Canada and northern US states.

Our warmer months will see restaurants more dependent on patio space, but the al fresco dining season lasts a lot longer in Miami than it does in Chicago or Toronto. Indoor dining might not be fully ruled out, but the experience in California suggests that it's high on the watch list if the virus makes a resurgence.

Other activities that are most amenable to social distancing, like golf, biking and jogging, also tend to be those done outdoors. They can run year-round in the US south. But for those of us in the north, their winter replacements — gym classes,

basketball, and that very Canadian sport of curling — involve standing close together inside. Can you sweep with a mask?

The US south has had trouble deterring packed beach parties. But come winter, Canadians and northern US states will face their own challenges with social distancing. The temptation will be to go from backyard barbecues to having people over for dinner or drinks, and it's hard to imbibe with a mask on. The South can keep their picnics with six-foot distancing going for much of the year.

Being indoors might also become a scarier prospect when runny nose season hits. How will people react when they hear a cough from their waiter or coworker?

All of this suggests that the next few months will be critical for those of us in Canada or in cooler US climes. Getting active Covid cases down to extremely low levels before cooler weather arrives will be key to avoiding the need to backtrack on an economic reopening.

Governments and health authorities need to bear that in mind as they make the tough calls about health restraints in their region. Investors should remember that only weeks ago it was the Florida governor who was boasting about his state escaping the wrath of New York. This virus can change regional data in a hurry.



CANADA		UNITED STATES				
		CIBC	Consensus	Prior		Prior
Monday July 6	BAPE REVERSE AUCTION: \$10B Government Bond Purchase Program (GBPP): 30-YR				AUCTION: 3-M BILLS \$54B, 6-M BILLS \$51B	
	10:30 AM BoC Business Outlook and Senior Loan Officer Surveys				9:45 AM MARKET US SERVICES PMI MARKET US COMPOSITE PMI	(Jun F) (L) (Jun F) (L) N/A
					10:00 AM ISM - NON-MANUFACTURING	(Jun) (M) 52.7 50.0
Tuesday July 7	AUCTION: 3-M BILLS \$6.8B, 6-M BILLS \$2.6B, 1-YR BILLS \$2.6B Government Bond Purchase Program (GBPP): SHORT END BoC TERM REPO OPERATION: 182 days BoC TERM REPO OPERATION: 539 days				AUCTION: 3-YR TREASURIES \$46B	
	8:30 AM IVEY PMI	(Jun) (L)	N/A	39.1	Speaker: 9:00 AM Raphael W. Bostic (President, Atlanta) (Dovish, Non-Voter*) Speaker: 2:00 PM Mary C. Daly (President, San Francisco) (Dovish, Non-Voter*) Speaker: 2:00 PM Thomas I. Barkin (President, Richmond) (Hawkish, Non-Voter*)	
Wednesday July 8	AUCTION: 3-YR CANADAS \$5B Government Bond Purchase Program (GBPP): 2-YR				AUCTION: 10-YR TREASURIES \$29B	
	8:15 AM HOUSING STARTS SAAR	(Jun) (M)	170K	185.0K	7:00 AM MBA-APPLICATIONS	(Jul 3) (L) N/A
	Federal Economics and Fiscal Snapshot				3:00 PM CONSUMER CREDIT	(May) (L) -1.8% -\$15.00B
Thursday July 9	AUCTION: 10-YR CANADAS \$5B Government Bond Purchase Program (GBPP): 10-YR				Speaker: 12:15 PM Raphael W. Bostic (President, Atlanta) (Dovish, Non-Voter*)	
					30-YR AUCTION \$19B	
					8:30 AM INITIAL CLAIMS CONTINUING CLAIMS	(Jul 4) (M) (Jun 27) (L) N/A N/A
					10:00 AM WHOLESALE INVENTORIES M/M	(May F) (L) -1.2% -1.2%
Friday July 10	Government Bond Purchase Program (GBPP): 5-YR				Speaker: 12:00 PM Raphael W. Bostic (President, Atlanta) (Dovish, Non-Voter*)	
	8:30 AM EMPLOYMENT CHANGE UNEMPLOYMENT RATE	(Jun) (H) (Jun) (H)	700K 12.0%	289.6K 13.7%	8:30 AM PPI M/M PPI M/M (core) PPI Y/Y PPI Y/Y (core)	(Jun) (M) (Jun) (M) (Jun) (M) (Jun) (M) 0.4% 0.1% -0.2% 0.5%
		H. M. L = High, Medium or Low Significance			Consensus Source: Bloomberg	

## Week Ahead's Market Call

by Avery Shenfeld

In the **US**, in a light week for economic data, the Covid-19 case counts will likely be the most watched series. We caution about reading too much into PMI type indexes (the services index is out this week), as they measure whether firms are seeing growth, and in this case that's an easy bar to jump over given the depths of how far we fell.

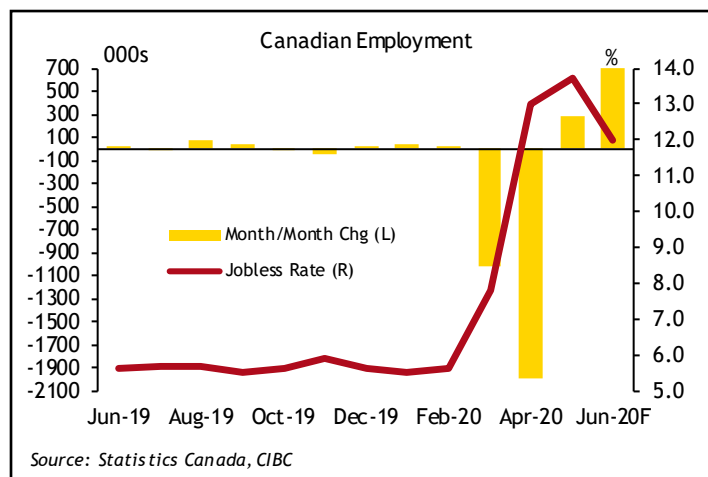
In **Canada**, the numerical indicators in the Bank of Canada's Business Outlook Survey suffer from the same problem, in that it asks if growth in the next four quarters will be better than the prior four, a far too easy comparison to eclipse. Read the text of the report instead, which may provide further clues on just how good the respondents thought conditions will be. Ottawa will release its first post-Covid deficit projections, but it's likely to be a "snapshot" of where we stand this year, rather than a forecast of what lies further ahead. Canada's June will echo what we saw stateside: lots of rehiring, but still extremely weak in terms of the level of unemployment.

**Week Ahead's Key Canadian Number:****Labour Force Survey—June**

(Friday, 8:30 a.m.)

Royce Mendes (416) 594-7354

	CIBC	Mkt	Prior
Employment	700K	550K	290K
Unemployment Rate	12.0%	12.5%	13.7%



A month ago the Labour Force Survey revealed a nice surprise in the form of an earlier than anticipated return to net hiring. As restrictions were further eased, the data for June will likely build on those green shoots, with roughly 700K jobs expected to have been created during the month, helped by Ontario's reopening. Moreover, the number of hours worked by employees that had seen shifts cut due to the pandemic will likely also paint a clear picture of a turnaround. Supporting the view that June will further build on the growth seen in May, applications for income-support have slowed materially relative to the depths of the crisis.

**Forecast Implications** — Even with gains of this magnitude, however, the economy will still be operating with 2mn fewer jobs than in February. Furthermore, the initial wave of hiring largely represents the low-hanging fruit of employees that are able to be called back to businesses that are being allowed to open. In other sectors, restrictions will still need to remain in place until there is a vaccine or powerful treatment for the virus, thereby limiting the scale of reopening. As a result, hiring in the second half of this year will likely come at a slower pace than what's seen in June.

**Other Canadian Releases:****Housing Starts — June**

(Wednesday, 8:15 a.m.)

So far, the pace of housing starts has proven more resilient than expected. But last month's reading was anything but clean. The resumption of construction and data collection in Québec likely picked up some of the prior month's activity or activity that would have occurred over a two-month span. Excluding that province, housing starts were actually down 20% in Canada, with a 40% drop seen in Ontario. While there could be a bit of a pickup in Canada's most populous province, the numbers on

Québec seemed destined to fall from the May reading. As a result, we're looking for a deceleration in the overall pace of Canadian housing starts to roughly 170K. More fundamentally, the Canadian housing market is facing serious questions with immigration, a key pillar underlying the strong price increases in recent years, now essentially on pause as a result of travel restrictions. That could see a further slowdown in residential building activity over the summer months.

**There are no key US numbers this week.**

# CANADIAN RELEASE AND EVENT DATES June/July 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
29	30	1	2	3
<b>INDUSTRIAL PRICES</b> 8:30 AM M (NSA) Y MAR -1.5 -3.0 APR -2.3 -6.0 MAY 1.2 -4.9	<b>GDP BY INDUSTRY</b> 8:30 AM (2002\$) GDP IND.PROD. M M FEB 0.2 0.3 MAR -7.5 -6.2 APR -11.6 -16.1	<b>ADP EMPLOYMENT SURVEY</b> 8:30 AM  <b>CANADA DAY (HOLIDAY)</b> (Markets Closed)	<b>MERCHANDISE TRADE</b> 8:30 AM \$MN 12 MO. BALANCE MAR -3,330 -16,204 APR -4,266 -19,138 MAY -677 -19,942	
6	7	8	9	10
<b>Bank of Canada Business Outlook Survey</b>	<b>IVEY PURCHASING MANAGERS' INDEX</b> 10:00 AM	<b>HOUSING STARTS</b> 8:15 AM 000's (AR) TOTAL SINGLES APR 166 38 MAY 193 45 JUN  <b>FEDERAL ECONOMICS AND FISCAL SNAPSHOT</b>		<b>LABOUR FORCE SURVEY</b> 8:30 AM AVG EMPLOY UNEMP HRLY (HSHOLD) RATE EARN M Y % Y APR -11.0 -15.0 13.0 10.5 MAY 1.8 -13.5 13.7 9.9 JUN
13	14	15	16	17
		<b>SURVEY OF MANUFACTURING</b> 8:30 AM SHIPMENTS M Y MAR -9.8 -12.5 APR -28.5 -37.1 MAY  <b>Bank of Canada Interest Rate Announcement</b>	<b>INT'L TRANSACTIONS IN SECURITIES C\$BN, NET</b> 8:30 AM BONDS MONEY STOCKS TOT MARKET MAR 3.1 -6.8 -6.2 -9.8 APR 46.9 7.0 -4.9 49.0 MAY	<b>WHOLESALE TRADE</b> 8:30 AM
20	21	22	23	24
	<b>RETAIL TRADE</b> 8:30 AM (Current\$) M Y MAR -9.9 -8.3 APR -26.4 -32.5 MAY	<b>CPI</b> 8:30 AM M Y APR -0.7 -0.2 MAY 0.3 -0.4 JUN		
27	28	29	30	31
			<b>PAYROLL EMPLOYMENT, EARNINGS &amp; HOURS</b> 8:30 AM	<b>GDP BY INDUSTRY</b> 8:30 AM (2002\$) GDP IND.PROD. M M MAR -7.5 -6.2 APR -11.6 -16.1 MAY  <b>INDUSTRIAL PRICES</b> 8:30 AM M (NSA) Y APR -2.3 -6.0 MAY 1.2 -4.9 JUN

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 June/July 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
29	30	1	2	3
	<b>S&amp;P/CASE-SHILLER HOUSE PRICE INDEX</b> 9:00 AM  <b>CHICAGO PMI</b> 9:45 AM  <b>CONSUMER CONFIDENCE</b> 10:00 AM  <i>BOT (9:00) REDBOOK (8:55)</i>	<b>ADP SURVEY</b> 8:15 AM  <b>ISM MFG SURVEY</b> 10:00 AM COMP. PRICES INDEX INDEX APR 41.5 35.3 MAY 43.1 40.8 JUN 52.6 51.3  <b>FOMC Minutes</b>  <b>LIGHT VEHICLES</b> SALES MIL (AR) Y APR 8.704 -47.2 MAY 12.343 -29.0 JUN 13.046 -24.1	<b>EMPLOY. SITUATION</b> 8:30 AM NON- CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN APR -20,787 14.7 7.7 MAY 2699 13.3 6.6 JUN 4800 11.1 5.4  <b>GOODS &amp; SERV. BALANCE (BOP) \$B</b> 8:30 AM GDS SERV TOT MAR -66.0 23.7 -42.3 APR -71.8 22.1 -49.8 MAY -76.1 21.5 -54.6  <b>FACTORY ORDERS</b> 10:00 AM M(SA) Y(NSA) MAR -11.0 -12.4 APR -13.5 -22.3 MAY 8.0 -15.8  <i>INITIAL JOBLESS CLAIMS (8:30)</i>	<b>INDEPENDENCE DAY (HOLIDAY)</b> (Markets Closed)  <b>Observed on July 3</b>
6	7	8	9	10
<b>ISM NON-MFG SURVEY</b> 10:00 AM  <i>BOT (9:00) REDBOOK (8:55)</i>	<i>BOT (9:00) REDBOOK (8:55)</i>	<b>CONSUMER CREDIT</b> 3:00PM	<b>WHOLESALE TRADE</b> 10:00 PM  <i>INITIAL JOBLESS CLAIMS (8:30)</i>	<b>PPI</b> 8:30 AM M (SA) Y (SA) APR -1.3 -1.0 MAY 0.4 -0.8 JUN
13	14	15	16	17
<b>TREASURY BUDGET</b> 2:00 PM	<b>CPI</b> 8:30 AM M(SA) Y (NSA) APR -0.8 0.3 MAY -0.1 0.1 JUN	<b>CAPACITY UTIL./IND. PROD.</b> 9:15 AM LEV M Y APR 64.0 -12.5 -16.2 MAY 64.8 1.4 -15.2 JUN  <b>Beige Book</b>	<b>PHILADELPHIA FED INDEX</b> 8:30 PM  <b>RETAIL SALES</b> 8:30 AM M Y APR -14.7 -19.9 MAY 17.7 -6.1 JUN  <b>BUSINESS INVENTORIES</b> 10:00 AM  <b>NET CAPITAL INFLOWS TICS</b> 4:00 PM  <i>INITIAL JOBLESS CLAIMS (8:30)</i>	<b>HOUSING STARTS</b> 8:30 AM Mn. M/M APR 0.918 -26.4 MAY 0.909 4.3 JUN  <b>MICHIGAN SENTIMENT (P)</b> 10:00 AM
20	21	22	23	24
<i>BOT (9:00) REDBOOK (8:55)</i>	<i>BOT (9:00) REDBOOK (8:55)</i>	<b>EXISTING HOME SALES</b> 10:00 AM	<b>LEADING INDICATOR</b> 10:00 AM  <i>INITIAL JOBLESS CLAIMS (8:30)</i>	<b>NEW HOME SALES</b> 10:00 AM
27	28	29	30	31
<b>DURABLE GOODS ORDERS</b> 8:30 AM M Y APR -18.1 -30.1 MAY 15.8 -17.9 JUN	<b>S&amp;P/CASE-SHILLER HOUSE PRICE INDEX</b> 9:00 AM  <b>CONSUMER CONFIDENCE</b> 10:00 AM  <i>BOT (9:00) REDBOOK (8:55)</i>	<b>ADV. TRADE IN INTERNATIONAL GOODS</b> 8:30 AM  <b>FOMC Rate Decision</b>	<b>GDP</b> 8:30 AM (AR) REAL IMPLICIT GDP DEFLATOR 19:Q4 2.1 1.3 20:Q1 (F) -5.0 1.4 20:Q2 (Adv)  <i>INITIAL JOBLESS CLAIMS (8:30)</i>	<b>PERS. INC &amp; OUT.</b> 8:30 AM INCOME CONS RATE M M AR APR 10.8 -12.6 32.2 MAY -4.2 8.2 23.2 JUN  <b>ECI</b> 8:30 AM WAGES & TOTAL SALARY BEN. 19:Q4 0.7 0.7 0.6 20:Q1 0.8 0.9 0.4 20:Q2  <b>CHICAGO PMI</b> 9:45 AM  <b>MICHIGAN SENTIMENT (F)</b> 10:00 AM

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