



Economics

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THE WEEK AHEAD

August 3-7, 2020

Joe Biden's Canada Policy

by Avery Shenfeld

If the polls hold up, we'll soon be talking a lot about a Joe Biden presidency. A draft version of the Democratic platform came out in recent days, promising to fight a never-ending battle for truth, justice and the American way. Actually, that's what they said about Superman, but the platform reads very much like that. But what's Joe Biden's policy on Canada?

Of course, there isn't really one. Against 22 references to China, Canada gets mentioned only twice in the 80-page document, once as a country with more upward mobility, and once in a reference to the USMCA that is really aimed at enforcing labour standards in Mexico.

But there are a number of items cited or absent that are of importance to Canadians. Biden has come out against the Keystone pipeline, but pipelines didn't warrant a mention in the platform, which would have been a more definitive closing of the door. The platform commits the US to the Paris Accord on climate change, but doesn't point fingers at other countries.

That would suggest an opening for Canada to steer its own course towards climate change commitments while still developing our energy resources responsibly. Moreover, the platform's emphasis on reinstating US environmental regulations should help level the competitive playing field across the border. But it will put pressure on Canada to follow through on its commitments, with the platform pledging to "seek higher ambition from nations around the world" in the climate change battle.

Canada's labour cost competitiveness would be improved under a Biden pledge for a national \$15 minimum wage, although much of the trade-oriented US goods sector would be above that bar in any event. As expected, the Democrats are pushing for higher corporate tax rates, which would improve Canada's relative attraction, but only if it didn't tempt Canadian governments to do the same.

The US could become a tougher competitor in the battle for global talent. The Democratic immigration platform speaks more about undocumented residents, asylum seekers and refugees, but also pledges more room for "employment based" visas as a route for permanent residency in order to attract talent. Canada would have to put on its best face to retain its share of such workers.

Despite backing the USMCA, the platform isn't exactly a ringing endorsement of free trade. "Buy America" rather than "Buy North America" gets notable mentions with respect to health care goods, low carbon building materials, and federally supported projects. On China, the Democrats take a tough line on both trade and human rights issues, but appear to favour working with other allies to take on the Middle Kingdom. Canada might be boxed into picking sides in a heating US-China rivalry regardless of which party wins in the November.

But for Canada, it mostly comes down to whether either US party has the recipe for ending the Covid crisis and getting the economy moving again. At the end of the day, it's US growth and import demand, rather than what's in the "Canada policy", that has the largest impact on our economy.



Week Ahead Calendar And Forecast

	CANADA	UNITED STATES	
	CIBC	CIBC	Prior
	Consensus	Consensus	Prior
Monday August 3	Markets Closed (Civic Holiday) Ontario, Nova Scotia, Alberta, British Columbia	AUCTION: 3-M BILLS \$54B, 6-M BILLS \$51B	
Tuesday August 4	AUCTION: 3-M BILLS \$5.6B, 6-M BILLS \$2.2B, 1-YR BILLS \$2.2B Government Bond Purchase Program (GBPP): SHORT END BAPF REVERSE AUCTION: \$10B BoC TERM REPO OPERATION: 175 days BoC TERM REPO OPERATION: 539 days	9:45 AM MARKIT US MANUFACTURING PMI 10:00 AM ISM - MANUFACTURING CONSTRUCTION SPENDING M/M NEW VEHICLE SALES Speaker: 12:30 PM James Bullard (President, St. Louis) (Dovish, Voter*) Speaker: 1:00 PM Thomas I. Barkin (President, Richmond) (Hawkish, Non-Voter*) Speaker: 2:00 PM Charles L. Evans (President, Chicago) (Dovish, Voter*) CASH MGMT. 119-DAY: \$30B CASH MGMT. 42-DAY: \$30B 10:00 AM FACTORY ORDERS M/M	51.3 (Jul F) (L) 53.6 (Jul) (H) (Jun) (M) 14.0M (Jul) (M) 5.0% (Jun) (M) 5.5% (Jun) (M)
Wednesday August 5	AUCTION: 5-YR CANADAS \$5B Government Bond Purchase Program (GBPP): 5-YR	7:00 AM MBA-APPLICATIONS 8:15 AM ADP EMPLOYMENT CHANGE 8:30 AM GOODS & SERVICES TRADE BALANCE 9:45 AM MARKIT US SERVICES PMI MARKIT US COMPOSITE PMI 10:00 AM ISM - NON-MANUFACTURING Speaker: 5:00 PM Loretta Mester (President, Cleveland) (Hawkish, Non-Voter*)	N/A (Jul) (H) (Jun) (H) (Jul) (L) (Jul F) (L) (Jul) (M) (Aug 1) (M) (Jul 25) (L)
Thursday August 6	AUCTION: 10-YR CANADAS \$5B Government Bond Purchase Program (GBPP): 10-YR	8:30 AM INITIAL CLAIMS CONTINUING CLAIMS Speaker: 10:00 AM Robert Steven Kaplan (Dallas, President) (Neutral, Non-Voter*)	1434K 17018K
Friday August 7	Government Bond Purchase Program (GBPP): 30-YR 8:30 AM EMPLOYMENT CHANGE UNEMPLOYMENT RATE 10:00 AM IVEY PMI	8:30 AM NON-FARM PAYROLLS UNEMPLOYMENT RATE AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M AVERAGE WEEKLY HOURS ALL EMPLOYEES MANUFACTURING PAYROLLS 10:00 AM WHOLESALE INVENTORIES M/M 3:00 PM CONSUMER CREDIT Note (*): Bloomberg	4800K 11.1% -1.2% 34.5 356K N/A \$10.00B -\$18.28B
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**, our overall take on a data packed week will be to expect some disappointments as we move into July readings. The highlight will be the payrolls report on Friday, where we are below consensus, reflecting the factors that we outlined in our recent In Focus report (See *Suffering From a Bad Claims History*, July 27). We'll also be expecting Congress to reach at least a temporary deal to extend some version of enhanced unemployment benefits, since no party is advocating a complete cut-off of those payments, which is where we would be if the current impasse isn't addressed.

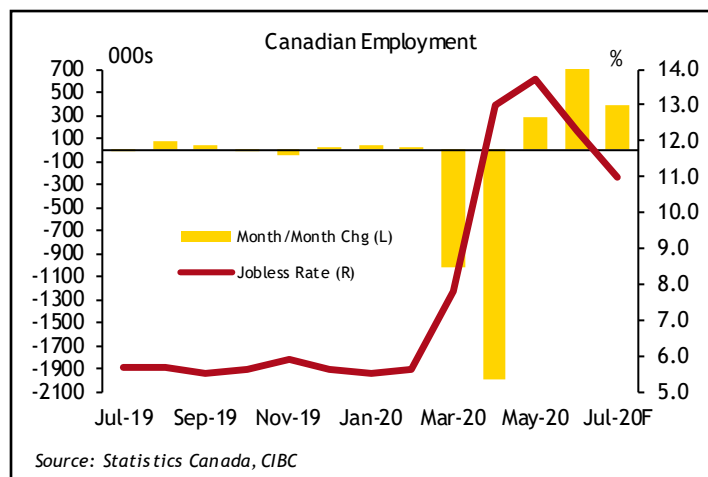
In **Canada**, a holiday shortened week will highlight the June employment picture, where we're due to see another solid step forward in what will still be a long road back to pre-Covid levels. That will capture the next leg of economic reopening in some sectors and provinces, with a further gain coming as regulations in Canada's largest province, Ontario, were eased in July/August.

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

(Friday, 8:30 a.m.)

Royce Mendes (416) 594-7354

	CIBC	Mkt	Prior
Employment	380K	N/A	953K
Unemployment Rate	11.0%	N/A	12.3%



The ability of Canadians to keep a lid on new virus cases will be key to sustaining economic momentum in the second half of the year. So far, that's exactly what's happened. The economy was able continue reopening in July, uninhibited by a resurgence of the virus, which likely led to a further recovery in jobs. The July Labour Force Survey will also capture the last two weeks of June, an important period since that's when Canada's two most populous cities materially eased restrictions.

While the headline reading won't catch as many eyes as the almost 1mn jobs recovered in the June report, the 380K increase in employment is nothing to sneeze at. It will likely mean that Canada paces the US in terms of employment relative to pre-COVID levels. At 11%, the

unemployment rate might look a tad higher than that in the US, but it's only because the Canadian numbers are calculated in a different way than those south of the border.

Forecast Implications — The fact that Canada has not seen a resurgence of the virus means that the current level of economic activity can continue and the recovery in the labour market will likely persist into August. However, as many businesses are still laying-off staff, whether directly or indirectly as a result of the virus, it will be crucial to at least maintain the current levels of activity and not throw the economy completely into reverse again as would likely be true should COVID-19 cases rise too high.

Other Canadian Releases:

Merchandise Trade Balance—June

(Wednesday, 8:30 a.m.)

The ongoing reopening of North American economies in June was good news for Canadian companies involved in cross-border trade, but that probably won't be reflected in a narrower trade deficit. Two-way trade, likely led by the auto sector, will have seen the taps turned back on as factories gradually got up and running. Energy exports will likely also show an increase, with higher prices during the month. However, with the US registering a smaller increase in imports than exports in its own trade

data for the month, the news in other Canadian export categories might not prove as positive. As a result, we see the Canadian trade deficit widening to roughly \$1.3bn. That might end up just being a timing issue in terms of which North American factories were ramping up production first. But, if US demand remains weak because of the resurgence in the virus, Canadian exports might be fighting an uphill battle to regain lost ground.

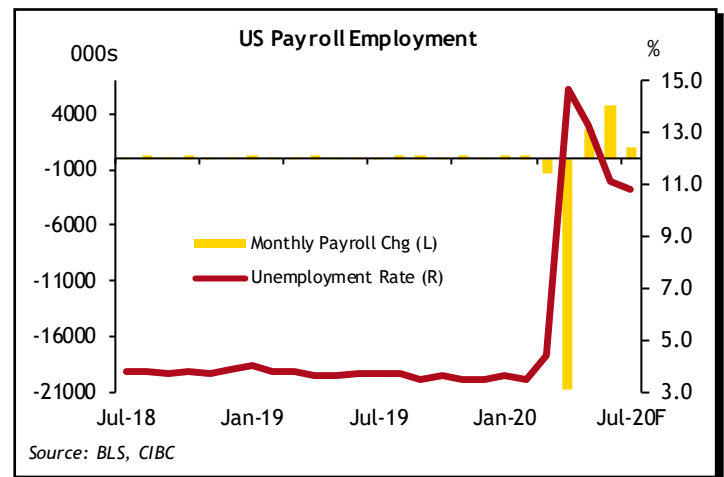
Week Ahead’s Key US Number:

Employment Situation—July

(Friday, 8:30 a.m.)

Katherine Judge (416) 956-6527

	CIBC	Mkt	Prior
Employment (m/m)	1100K	1510K	4800K
Unemployment rate	10.8%	10.5%	11.1%
Avg Hrly Earnings (m/m)	-0.5%	-0.5%	-1.2%



Despite the deterioration in the outlook in recent weeks, both initial and continuing claims are still down relative to the previous month’s payrolls survey reference week. That suggests that 1.1 million jobs could have been added in July, a marked deceleration from the 4.8 million added in June. That would leave only 39% of the jobs lost through April recouped as of July, and 13.6 million fewer Americans employed than in February, proving that the US labor market has a long way to go to heal still.

That could have sent the unemployment rate a few ticks lower to 10.8%, assuming a slight rise in the labor force participation rate. The bulk of jobs regained should continue to have been in lower-wage industries including retail trade, and leisure & hospitality, suggesting that the average aggregate wage could have fallen by 0.5%.

Forecast Implications — The labor market could stall in August if the virus continues to spread rapidly. The three most impacted states—California, Florida, and Texas- account for one quarter of total US employment, and have tightened social distancing in many sectors in recent weeks. The fact that job losses have been tilted towards lower-income occupations makes the next fiscal support package even more urgent in order to avoid derailing the recovery.

Market Impact — We are less optimistic than the consensus, which could add to fears around the stalled recovery, seeing the USD and yields fall.

Other U.S. Releases:

ISM Manufacturing—July

(Monday, 10:00 a.m.)

Only one regional manufacturing index that is an indicator for the ISM’s index fell in July, while the others posted modest advances following large increases in prior months. That suggests that the ISM manufacturing index only edged higher to 53.4 in July, a level that still hasn’t been seen since early 2019 but also probably won’t last long given the recent deterioration in the outlook.

Weak demand will hold back production, especially for capital goods producers and those related to the hard-hit aviation industry. The manufacturing sector was already on shaky ground prior to the pandemic due to trade tensions, making the return in the index to early-2019 levels less impressive, as the growth is occurring from low levels.

CANADIAN RELEASE AND EVENT DATES July/August 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
27	28	29	30	31
			PAYROLL EMPLOYMENT, EARNINGS & HOURS 8:30 AM	GDP BY INDUSTRY (2002\$) 8:30 AM GDP IND.PROD. M M MAR -7.5 -6.3 APR -11.7 -16.1 MAY 4.5 4.8 INDUSTRIAL PRICES 8:30 AM M (NSA) Y APR -2.3 -6.0 MAY 1.2 -4.9 JUN 0.4 -3.1 BUILDING PERMITS (\$) 8:30 AM M M (RES) (NON-RES) APR -10.3 -21.2 MAY 21.7 21.4 JUN 7.0 4.6
3	4	5	6	7
CIVIC HOLIDAY (Markets Closed)		MERCHANDISE TRADE 8:30 AM \$MN 12 MO. BALANCE APR -4,266 -19,138 MAY -677 -19,942 JUN		LABOUR FORCE SURVEY 8:30 AM AVG EMPLOY UNEMP HRLY (HSHOLD) RATE EARN M Y % Y MAY 1.8 -13.5 13.7 9.9 JUN 5.8 -8.5 12.3 6.8 JUL IVEY PURCHASING MANAGERS' INDEX 10:00 AM
10	11	12	13	14
	HOUSING STARTS 8:15 AM 000's (AR) TOTAL SINGLES MAY 196 44 JUN 212 42 JUL			SURVEY OF MANUFACTURING 8:30 AM SHIPMENTS M Y APR -27.9 -37.2 MAY 10.7 -31.6 JUN
17	18	19	20	21
INT'L TRANSACTIONS IN SECURITIES C\$BN, NET 8:30 AM BONDS MONEY STOCKS TOT MARKET APR 46.9 7.0 -4.9 49.0 MAY 25.0 7.4 -10.0 22.4 JUN		WHOLESALE TRADE 8:30 AM CPI 8:30 AM M Y MAY 0.3 -0.4 JUN 0.8 0.7 JUL	ADP EMPLOYMENT SURVEY 8:30 AM	RETAIL TRADE 8:30 AM (Current\$) M Y APR -26.4 -32.5 MAY JUN
24	25	26	27	28
			PAYROLL EMPLOYMENT, EARNINGS & HOURS 8:30 AM BALANCE OF INT'L PAYMENTS 8:30 AM CURR. ACCT. BAL. \$BN(QR) \$BN(AR) 19:Q4 -9.3 -37.2 20:Q1 -11.1 -44.4 20:Q2	NATIONAL ACCTS 8:30 AM REAL PRICE GDP DEFLATOR %ch AR %ch AR 19:Q4 0.6 3.3 20:Q1 -8.2 2.2 20:Q2 GDP BY INDUSTRY 8:30 AM (2002\$) GDP IND.PROD. M M APR -11.7 -16.1 MAY 4.5 4.8 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 July/August 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p>27</p> <p>DURABLE GOODS ORDERS</p> <p>8:30 AM M Y APR -18.3 -30.3 MAY 15.1 -18.5 JUN 7.3 -12.7</p>	<p>28</p> <p>S&P/CASE-SHILLER HOUSE PRICE INDEX</p> <p>9:00 AM</p> <p>CONSUMER CONFIDENCE</p> <p>10:00 AM</p> <p><i>BOT (9:00) REDBOOK (8:55)</i></p>	<p>29</p> <p>ADV. TRADE IN INTERNATIONAL GOODS</p> <p>8:30 AM</p> <p>FOMC Rate Decision</p> <p>Fed Chair Powell speaks @ 2:30 PM ET</p>	<p>30</p> <p>GDP</p> <p>8:30 AM (AR) REAL IMPLICIT GDP DEFLATOR</p> <p>19:Q4 2.4 1.4 20:Q1 -5.0 1.4 20:Q2 (Adv) -32.9 -1.8</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>31</p> <p>PERS. INC & OUT.</p> <p>8:30 AM SAVING INCOME CONS RATE M M AR</p> <p>APR 12.1 -12.9 33.5 MAY -4.4 8.5 24.2 JUN -1.1 5.6 19.0</p> <p>ECI</p> <p>8:30 AM WAGES & BEN. TOTAL SALARY</p> <p>19:Q4 0.7 0.7 0.6 20:Q1 0.8 0.9 0.4 20:Q2 0.5 0.4 0.8</p> <p>CHICAGO PMI</p> <p>9:45 AM</p> <p>MICHIGAN SENTIMENT (F)</p> <p>10:00 AM</p>
<p>3</p> <p>ISM MFG SURVEY</p> <p>10:00 AM COMP. PRICES INDEX INDEX</p> <p>MAY 43.1 40.8 JUN 52.6 51.3 JUL</p> <p>LIGHT VEHICLES SALES MIL (AR)</p> <p>MAY 12.343 -29.0 JUN 13.046 -24.1 JUL</p>	<p>4</p> <p>FACTORY ORDERS</p> <p>10:00 AM M(SA) Y(NSA)</p> <p>APR -13.5 -22.3 MAY 8.0 -15.8 JUN</p> <p><i>BOT (9:00) REDBOOK (8:55)</i></p>	<p>5</p> <p>ADP SURVEY</p> <p>8:15 AM</p> <p>GOODS & SERV. BALANCE (BOP) \$B</p> <p>8:30 AM GDS SERV TOT</p> <p>APR -71.8 22.1 -49.8 MAY -76.1 21.5 -54.6 JUN</p> <p>ISM NON-MFG SURVEY</p> <p>10:00 AM</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>6</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>7</p> <p>EMPLOY. SITUATION</p> <p>8:30 AM NON- CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN</p> <p>MAY 2699 13.3 6.6 JUN 4800 11.1 5.4 JUL</p> <p>WHOLESALE TRADE</p> <p>10:00 PM</p> <p>CONSUMER CREDIT</p> <p>3:00PM</p>
<p>10</p>	<p>11</p> <p>PPI</p> <p>8:30 AM M (SA) Y (SA)</p> <p>MAY 0.4 -0.8 JUN -0.2 -0.8 JUL</p> <p><i>BOT (9:00) REDBOOK (8:55)</i></p>	<p>12</p> <p>CPI</p> <p>8:30 AM M(SA) Y (NSA)</p> <p>MAY -0.1 0.1 JUN 0.6 0.6 JUL</p> <p>TREASURY BUDGET</p> <p>2:00 PM</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>13</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>14</p> <p>RETAIL SALES</p> <p>8:30 AM M Y</p> <p>MAY 18.2 -5.6 JUN 7.5 1.1 JUL</p> <p>NON-FARM PRODUCTIVITY</p> <p>8:30 AM Q/Q (AR) Y/Y</p> <p>19:Q4 1.2 1.8 20:Q1 -0.9 0.7 20:Q2(Prelim)</p> <p>CAPACITY UTIL/IND. PROD.</p> <p>9:15 AM LEV M Y</p> <p>MAY 65.1 1.4 -15.3 JUN 68.6 5.4 -10.8 JUL</p> <p>BUSINESS INVENTORIES</p> <p>10:00 AM</p> <p>MICHIGAN SENTIMENT (P)</p> <p>10:00 AM</p>
<p>17</p> <p>NET CAPITAL INFLOWS TICS</p> <p>4:00 PM</p>	<p>18</p> <p>HOUSING STARTS</p> <p>8:30 AM Mn. M/M</p> <p>MAY 0.908 8.2 JUN 0.881 17.3 JUL</p> <p><i>BOT (9:00) REDBOOK (8:55)</i></p>	<p>19</p> <p>FOMC Minutes</p>	<p>20</p> <p>PHILADELPHIA FED INDEX</p> <p>8:30 PM</p> <p>LEADING INDICATOR</p> <p>10:00 AM</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>21</p> <p>EXISTING HOME SALES</p> <p>10:00 AM</p>
<p>24</p>	<p>25</p> <p>S&P/CASE-SHILLER HOUSE PRICE INDEX</p> <p>9:00 AM</p> <p>NEW HOME SALES</p> <p>10:00 AM</p> <p>CONSUMER CONFIDENCE</p> <p>10:00 AM</p> <p><i>BOT (9:00) REDBOOK (8:55)</i></p>	<p>26</p> <p>DURABLE GOODS ORDERS</p> <p>8:30 AM M Y</p> <p>MAY 15.1 -18.5 JUN 7.3 -12.7 JUL</p>	<p>27</p> <p>GDP</p> <p>8:30 AM (AR) REAL IMPLICIT GDP DEFLATOR</p> <p>19:Q4 2.1 1.3 20:Q1 -5.0 1.4 20:Q2 (2nd)</p> <p><i>INITIAL JOBLESS CLAIMS (8:30)</i></p>	<p>28</p> <p>PERS. INC & OUT.</p> <p>8:30 AM SAVING INCOME CONS RATE M M AR</p> <p>MAY -4.4 8.5 24.2 JUN -1.1 5.6 19.0 JUL</p> <p>ADV. TRADE IN INTERNATIONAL GOODS</p> <p>8:30 AM</p> <p>MICHIGAN SENTIMENT (F)</p> <p>10:00 AM</p>

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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