



Economics

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THE WEEK AHEAD

October 12-16, 2020

Consumers and the Mask-arade Season

by Avery Shenfeld

The holiday season will soon be upon us, so it's timely to consider how consumer-related businesses will fare in what for many is their most important quarter. The last remotely analogous period was in Q4 2009, when Canada was just emerging from a recession. Retailing that quarter wasn't a disaster, with ex-auto sales up 1.5% nominally off a weak prior year base, but we did see declines in some gift-related categories like clothing and electronics, and softness at bars and restaurants that captured more subdued celebrations after a tough year.

First up is Halloween, where we're told by an online guru that this year's hot costume is the "sexy Anthony Fauci" get up. But if we're already walking around with masks, what will Halloween sales look like?

Stateside, Halloween is apparently a \$9 bn candy-to-costume market. Trick-or-treating plans are in flux, but parents will find some way to create a magical, candied day for their little ones. The problem for Halloween spending is that young adults going to bars or parties are a larger part of it. The big losers this October will be nightclubs and adult costume stores. Unless the kids know who Dr. Fauci is, we may be left with some grey haired wigs on the shelves. Hospital masks will be the real 2020 Halloween costume.

Towards year-end, downtown restaurants, bars and catering halls typically fill up with end-of-year office parties. Not this time, so year-on-year activity in such venues will be down very sharply. That won't make as big a

dent in monthly changes for Canadian GDP figures from where we now stand, because the hospitality sector is starting from a low base already.

Restored savings and light credit card balances, suggest that Christmas season gift buying won't be disastrous, even if those unemployed stay cautious. But if the second wave of the virus hasn't yet faded in Canada's largest provinces, online shopping could make even greater inroads into results for in-store retailing, as public health authorities encourage people to stay home. Cyber Monday could therefore give an overly-rosy signal for the season as a whole.

Santa Claus is still coming to town with gifts for the kids. But drastically slimmed down get togethers will still leave headwinds for retailers selling party dresses rather than sweat pants, as well as holiday foods, and gifts aimed at adults. If you don't visit Great Aunt Mabel and you're not that fond of her anyway, perhaps you won't send along the gift that you would otherwise have brought with you. Office gift-giving pools are also much less likely this year.

Add it all up, and what's already been a troubled year for many retailers and restaurants looks to end with a lump of coal in their stockings. The only saving grace is that if they can make it through the pandemic, these businesses will find that Canadians who have lived more frugally will be ready and eager to party on again. This just isn't the year.



Week Ahead Calendar And Forecast

CANADA		UNITED STATES	
	Markets Closed (Thanksgiving Day)	Treasury Markets Closed (Columbus Day)	
Monday October 12			
Tuesday October 13	AUCTION: 3-M BILLS \$5.6B, 6-M BILLS \$2.2B, 1-YR BILLS \$2.2B BAPF REVERSE AUCTION: \$10B Government Bond Purchase Program (GBPP): SHORT END BoC TERM REPO OPERATION: 168 Days \$3B BoC TERM REPO OPERATION: 546 Days \$6B	CASH MGMT. 119-DAY: \$30B CASH MGMT. 42-DAY: \$30B 8:30 AM CPI M/M (Sep) (H) 0.2% 0.4% CPI M/M (core) (Sep) (H) 0.2% 0.4% CPI Y/Y (Sep) (H) 1.4% 1.3% CPI Y/Y (core) (Sep) (H) 1.8% 1.7% 2:00 PM TREASURY BUDGET (Sep) (L) -\$62.5B -\$200.1B	
Wednesday October 14	Government Bond Purchase Program (GBPP): 2-YR AUCTION: 3-YR CANADAS \$6B	7:00 AM MBA APPLICATIONS (Oct 9) (L) 4.6% 8:30 AM PPI M/M (Sep) (M) 0.2% 0.3% PPI M/M (core) (Sep) (M) 0.2% 0.4% PPI Y/Y (Sep) (M) 0.2% -0.2% PPI Y/Y (core) (Sep) (M) 0.9% 0.6% Speaker: 9:00 AM Richard Clarida (Vice Chairman) (Neutral, Voter**) Speaker: 10:30 AM Randal Keith Quarles (Vice Chairman) (Neutral, Voter**) Speaker: 3:00 PM Robert Steven Kaplan (Dallas, President) (Neutral, Non-Voter*) Speaker: 3:00 PM Randal Keith Quarles (Vice Chairman) (Neutral, Voter*) Speaker: 6:00 PM Robert Steven Kaplan (Dallas, President) (Neutral, Non-Voter*)	
Thursday October 15	Government Bond Purchase Program (GBPP): 30-YR AUCTION: 30-YR CANADAS \$3B 8:15 AM EXISTING HOME SALES M/M (Sep) (M) 6.2% 8:30 AM ADP EMPLOYMENT CHANGE Speaker: 9:45 AM Timothy Lane (Deputy Gov.) Government Bond Purchase Program (GBPP): 5-YR	8:30 AM INITIAL CLAIMS (Oct 10) (M) 810K 840K CONTINUING CLAIMS (Oct 3) (L) NEW YORK FED (EMPIRE) (Oct) (M) 13.0 17.0 IMPORT PRICE INDEX M/M (Sep) (L) 0.3% 0.9% EXPORT PRICE INDEX M/M (Sep) (L) 0.4% 0.5% PHILADELPHIA FED (Oct) (M) 14.5 15.0 Speaker: 9:00 AM Raphael W. Bostic (President, Atlanta) (Dovish, Non-Voter*) Speaker: 11:00 AM Randal Keith Quarles (Vice Chairman) (Neutral, Voter*) Speaker: 11:00 AM Robert Steven Kaplan (Dallas, President) (Neutral, Non-Voter*) Speaker: 5:00 PM Neel T. Kashkari (President, Minneapolis) (Dovish, Non-Voter*)	
Friday October 16	Government Bond Purchase Program (GBPP): 5-YR 8:30 AM INT'L SEC. TRANSACTIONS (Aug) (M) -8.52B MANUFACTURING SHIPMENTS M/M (Aug) (M) 7.0% -2.0%	8:30 AM RETAIL SALES M/M (Sep) (H) 0.7% 0.6% RETAIL SALES (X-AUTOS) M/M (Sep) (H) 0.4% 0.7% RETAIL SALES CONTROL GROUP M/M (Sep) (H) -0.3% -0.1% 9:15 AM INDUSTRIAL PRODUCTION M/M (Sep) (H) 0.6% 0.4% CAPACITY UTILIZATION (Sep) (M) 72.0% 71.4% 10:00 AM BUSINESS INVENTORIES M/M (Aug) (L) 0.3% 0.1% MICHIGAN CONSUMER SENTIMENT (Oct P) (L) 80.2 80.4 4:00 PM NET CAPITAL INFLOWS (TICS) (Aug) (L) \$10.8B	
H, M, L = High, Medium or Low Significance		Note (*): Bloomberg	
SAAR = Seasonally Adjusted Annual Rate		Consensus Source: Bloomberg	

Week Ahead's Market Call

by Andrew Grantham

In the **US**, it will be politics, politics, politics dominating markets, with election polls, fiscal stimulus efforts and the response to rising Covid cases in many states the primary focus. For those still watching the data, however, we do think there's room for disappointment in the stripped down measures of retail sales, although even a slight decline on the month would leave core sales well above their pre-pandemic trend still.

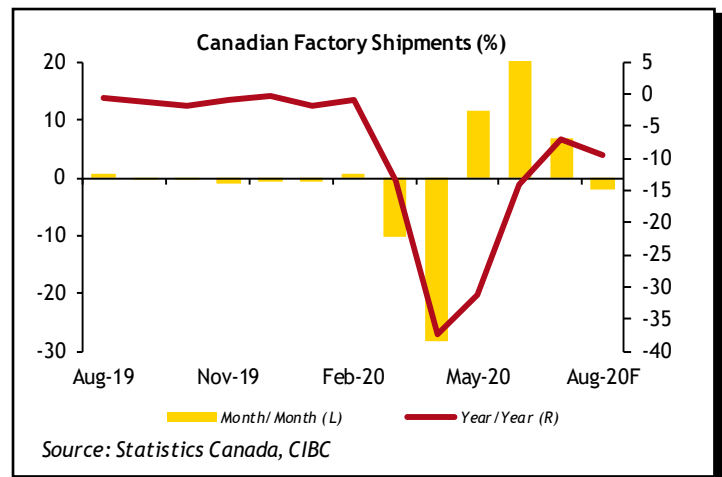
In **Canada**, the main focus data wise will be manufacturing shipments for August. Similar to exports this week they will likely suffer from a dip in the autos sector, where shipments appeared high in July due to shorter or fewer retooling shutdowns this year.

Week Ahead's Key Canadian Number: Survey of Manufacturing—August

(Friday, 8:30 a.m.)

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	CIBC	Mkt	Prior
Mfg Shipments m/m SA	-2.0%	N/A	7.0%



Many Canadian auto factories didn't take the breather this year which they usually do in July, as they tried to make up for lost time. So sales were artificially lifted in seasonally-adjusted terms, even though they actually declined not-seasonally adjusted. That said, part of that strength in seasonally adjusted sales seen in July might have reversed itself in August, and suggests that momentum in the factory sector, after a quick rebound in May and June, has hit somewhat of a wall at a level of sales materially below its pre-COVID trend.

Forecast Implications — While upcoming economic developments will be dominated by news on the virus, the fact that manufacturing sales were plateauing as early as June doesn't bode well for the recovery outside of COVID. The months of July and August had seen a notable shift in consumer spending patterns away from services and toward goods, and the factory sector was better able to weather remaining restrictions than those involved in services. So it's discouraging that the industry didn't see momentum hold up, and could be a signal that even the post-COVID recovery will be a tough slog.

Week Ahead's Key US Number:**Retail Sales—September**

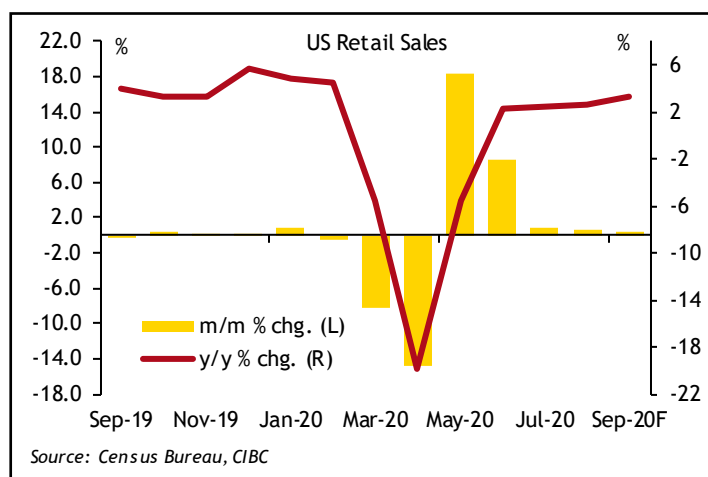
(Friday, 8:30 a.m.)

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	CIBC	Mkt	Prior
Retail Sales m/m %	0.3	0.7	0.6
Retail Sales—ex auto %	0.2	0.4	0.7
Retail Sales—control group %	-0.3	0.3	-0.1

Despite a sluggish end to the summer, retail sales remain above where they stood prior to the pandemic. Overall retail sales could have edged slightly further above that mark in September, supported by the ongoing recovery in food services spending and stronger spending on autos, in line with the unit sales data. Still, the 0.3% expected advance would be a marked deceleration from prior months.

Also underlying that softness is a drying up of pent-up demand in many control group categories alongside the fading impact of fiscal support which has caused a sharp drop in incomes, coinciding with a slowdown in job gains. Sales in the control group are therefore poised for



a further pullback, of 0.3%. That would still leave them 6% above pre-pandemic levels.

Forecast Implications—The recovery in overall consumer spending is likely to be slower and choppier from here, as virus cases have started to climb again, jeopardizing the recovery in spending on services at a time when income support has dried up and job gains are slowing. With goods consumption having fully recovered, further gains are likely to be harder to come by.

Market Impact—We are more pessimistic than the consensus on the control group which could see yields fall.

Other U.S. Releases:**CPI—September**

(Tuesday, 8:30am)

After a few months of significant upwards pressure, price gains could have cooled down in September. The 0.2% monthly rise expected on the headline CPI index would reflect relatively flat gasoline prices, and would leave annual overall inflation at 1.4%, still miles below its pre-pandemic range. Core price pressures could have also decelerated to 0.2% on the month, reflecting an easing in the outsized gain in transportation prices that accounted for most of the upside surprise in the prior month. That would leave annual core inflation steady at 1.7%. Pockets of strong demand in some components and rebounds in others from the pandemic-induced lows should be partly offset by weakness in other core components ahead, reflecting the degree of economic slack.

Industrial Production—September

(Friday, 9:15 am)

The recovery in industrial production likely remained soft in September, advancing by 0.6%. Indeed, gains in most manufacturing sub-industries have slowed in recent months as pent-up demand has started to wane. A more subdued rise in hours worked in manufacturing suggests even slower growth in that sector in September. Mining activity could have bounced back after tropical storms held production back in the prior month, a driving force behind the expected headline increase. But with rig counts still at rock bottom levels, that sector remains challenged, especially as second waves of the virus globally continue to cloud the outlook for demand. Utilities production likely eased on the month as temperatures were more in line with seasonal norms for the time of year. Overall, the advance would leave industrial production still 7% below pre-pandemic levels.

CANADIAN RELEASE AND EVENT DATES October/November 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
5	6	7	8	9
	MERCHANDISE TRADE 8:30 AM \$MN 12 MO. BALANCE JUN -1,532 -23,016 JUL -2,534 -24,094 AUG -2,446 -25,114	IVEY PURCHASING MANAGERS' INDEX 10:00 AM	HOUSING STARTS 8:15 AM 000's (AR) TOTAL SINGLES JUL 246 49 AUG 262 48 SEP 209 50 Bank of Canada Governor Macklem speaks at 8:30 AM ET	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 2.1 -3.6 9.0 5.4
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
19	20	21	22	23
WHOLESALE TRADE 8:30 AM Bank of Canada Business Outlook Survey		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		
26	27	28	29	30
		Bank of Canada Interest Rate Announcement & Monetary Policy Report Bank of Canada Governor Macklem & Sr. Dep. Gov. Wilkins speak at 11:15 AM ET	BUILDING PERMITS (\$) 8:30 AM M M (RS) (NON-RES) JUL -4.0 3.5 AUG 7.1 -8.6 SEP	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	5	6
		MERCHANDISE TRADE 8:30 AM \$MN 12 MO. BALANCE JUL -2,534 -24,094 AUG -2,446 -25,114 SEP		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

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
5 ISM NON-MFG SURVEY 10:00 AM	6 GOODS & SERV. BALANCE (BOP) \$B 8:30 AM GDS SERV TOT JUN -71.7 18.2 -53.5 JUL -80.8 17.4 -63.4 AUG -83.9 16.8 -67.1 <i>BOT (9:00) REDBOOK (8:55)</i>	7 FOMC Minutes CONSUMER CREDIT 3:00PM	8 <i>INITIAL JOBLESS CLAIMS (8:30)</i>	9 WHOLESALE TRADE 10:00 PM
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 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	15 PHILADELPHIA FED INDEX 8:30 PM <i>INITIAL JOBLESS CLAIMS (8:30)</i>	16 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
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 GDP IMPLICIT DEFLECTOR 20:Q1 -5.0 1.4 20:Q2 -31.4 -1.8 20:Q3(adv) <i>INITIAL JOBLESS CLAIMS (8:30)</i>	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) Y 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

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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