



## Economics

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# THE WEEK AHEAD

July 13-17, 2020

## Lessons from High-Frequency Data

by Benjamin Tal

Things move fast. Very fast. By the time we get something from Statistics Canada, it's already ancient history. In this environment, the market needs and demands real time data. No surprise then, that a whole new industry is emerging: private sector data aggregators.

One of the best high-frequency databases available out there is "Tracktherecovery.org", developed by a group of researchers at Harvard University. The following is a brief discussion of some of the observations obtained from that database. The focus here is the US, but many of the observations are relevant to Canada.

The data clearly show that since the beginning of the crisis and as of basically yesterday, high-income households reduced spending by 12%, while low-income households cut spending by only 2%—interesting, but not very surprising if you think about it for a second.

Now, we know that the decline in spending is not due to an income shock. The fact that most workers still have their jobs, along with the unprecedented income support from governments, means that in both Canada and the US, household income is actually up since the beginning of the crisis.

So why did spending on services go down? Is it just the fact that businesses were closed or is it the fear factor? Both Wisconsin and Minnesota closed down basically in the same week in late March, but Minnesota opened up a full month before Wisconsin. So the

Harvard researchers looked at the spending trajectories in both states during the month in which one state was open and the other closed and found that they were very similar. This suggests that at least for now, the fact that you open up does not mean that people will show up. That observation was found to be valid for most US states—with important implications for what Canada should expect following opening up.

As for the effectiveness of government policy, zooming in on the Paycheck Protection Program (PPP), a close examination of hours worked among companies with fewer than 500 employees (that are eligible for PPP loans), and those with more than 500 employees, shows a similar trajectory. That raises the possibility that many companies that collected those forgivable loans planned to keep their head counts unchanged regardless. For them, the PPP was basically free money.

The other important program under the CARES Act provided Economic Impact Payments of up to \$1,200 per eligible individual, which were deposited starting on April 15th. And sure enough we saw an immediate 15% jump in spending among low-income households, and a much more muted increase among high-income households. The vast majority of this spending was channeled into semi-durable and durable goods—the segment of consumption that didn't fall—and not to personal services. In other words, much of the government transfer money was channeled not to struggling small businesses, but rather to the Amazons of the world.



# Week Ahead Calendar And Forecast

	CANADA			UNITED STATES		
		CIBC	Consensus	Prior		Prior
Monday July 13	Government Bond Purchase Program (GBPP): 30-YR				AUCTION: 3-M BILLS \$54B, 6-M BILLS \$51B	
					2:00 PM TREASURY BUDGET	(Jun) (L) N/A -\$398.8B
Tuesday July 14	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: 357 days BoC TERM REPO OPERATION: 721 days				Speaker: 11:30 AM John C. Williams (President, New York) (Neutral, Voter*) Speaker: 1:00 PM Robert Steven Kaplan (Dallas, President) (Neutral, Non-Voter*) AUCTION: 1-YR TREASURIES \$34B	
					8:30 AM CPI M/M CPI M/M (core) CPI Y/Y CPI Y/Y (core)	(Jun) (H) 0.5% (Jun) (H) 0.1% (Jun) (H) 0.6% (Jun) (H) 0.7% (Jun) (H) 1.1% (Jun) (H) 1.2%
Wednesday July 15	Government Bond Purchase Program (GBPP): 2-YR				Speaker: 2:00 AM Lael S Brainard (Governor) (Neutral, Voter*) Speaker: 2:30 PM James Bullard (President, St Louis) (Dovish, Voter*)	
					7:00 AM MBA-APPLICATIONS	(Jul 10) (L) N/A 2.2%
	8:30 AM MANUFACTURING SHIPMENTS M/M NEW MOTOR VEHICLE SALES M/M	(May) (M) (May) (L)	8.5% N/A	-28.5% N/A	8:30 AM NEW YORK FED (EMPIRE) IMPORT PRICE INDEX M/M EXPORT PRICE INDEX M/M	(Jul) (M) 8.5 (Jun) (L) 1.0% (Jun) (L) 0.5%
	9:00 AM EXISTING HOME SALES M/M	(Jun) (M)	N/A	56.9%	9:15 AM INDUSTRIAL PRODUCTION M/M CAPACITY UTILIZATION	(Jun) (H) 4.3% (Jun) (M) 67.9%
	10:00 AM BANK OF CANADA RATE ANNOUNCE. MONETARY POLICY REPORT	(Jul 15) (H)	0.25%	0.25%	2:00 PM FED'S BEIGE BOOK	5.0% 68.8% 1.4% 64.8%
Thursday July 16	Speaker: 11:00 AM Tiff Macklem (Governor) and Carolyn Wilkins (Sr. Deputy Gov.) AUCTION: 5-YR CANADAS \$5B Government Bond Purchase Program (GBPP): 5-YR				Speaker: 12:00 PM Patrick T. Harker (President, Philadelphia) (Neutral, Non-Voter*)	
	8:30 AM INT'L SEC. TRANSACTIONS ADP EMPLOYMENT CHANGE	(May) (M) (Jun)	N/A	\$49.04B	8:30 AM INITIAL CLAIMS CONTINUING CLAIMS	(Jul 11) (M) 1250K (Jul 4) (L) N/A 1314K 18062K
					PHILADELPHIA FED RETAIL SALES M/M RETAIL SALES (X-AUTOS) M/M RETAIL SALES CONTROL GROUP M/M	(Jul) (M) 20.0 (Jun) (H) 5.0% (Jun) (H) 5.2% (Jun) (H) 5.3% (Jun) (H) 3.8% (Jun) (H) 11.0%
					10:00 AM BUSINESS INVENTORIES M/M	(May) (L) -2.3% -1.3%
					4:00 PM NET CAPITAL INFLOWS (TICS)	(May) (L) N/A -\$128.4B
Friday July 17	Government Bond Purchase Program (GBPP): 10-YR				Speaker: 11:00 AM Charles L. Evans (President, Chicago) (Dovish, Voter*) Speaker: 11:10 AM John C. Williams (President, New York) (Neutral, Voter*)	
	8:30 AM WHOLESALE TRADE M/M	(May) (M)	8.5%	-21.6%	8:30 AM HOUSING STARTS SAAR BUILDING PERMITS SAAR	(Jun) (M) 1172K (Jun) (H) 1300K (Jun) (H) 1210K (Jun) (H) 1320K 974K 1216K
					10:00 AM MICHIGAN CONSUMER SENTIMENT	(Jul P) (H) 79.5 78.1
Note (*): Bloomberg						
H, M, L = High, Medium or Low Significance			SAAR = Seasonally Adjusted Annual Rate		Consensus Source: Bloomberg	

## Week Ahead's Market Call

by Andrew Grantham

In the **US**, recoveries in homebuilding and manufacturing should have quickened somewhat in June, after only seeing marginal pick-ups in May. In contrast, the recovery in retail sales is likely to slow following a big rebound in the prior month, particularly on measures excluding higher gasoline prices. However, all of that will likely be deemed old news, with markets continuing to focus on daily Covid-19 infection numbers and any announcements of states retracing reopening plans.

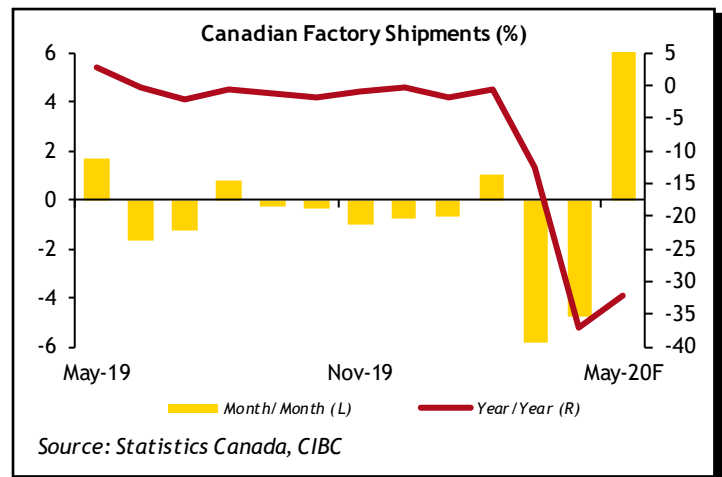
With Statistics Canada already releasing a nowcast estimate showing a modest rebound in GDP during May, the increases expected for manufacturing and wholesaling during the same month are of less importance to markets unless they drastically miss expectations. The Bank of Canada should be in a position to more fully lay out its forecasts for the economy in Wednesday's MPR, and with little needed be done just yet on the policy front that will be the main focus, as well as any indication as to what conditions would warrant the use of other tools such as yield curve control later this year (see our BoC preview).

## Week Ahead's Key Canadian Number: Manufacturing Shipments—May

(Wednesday, 8:30 a.m.)

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	CIBC	Mkt	Prior
Mfg Shipments m/m SA	9.5%	8.5%	-28.5%



The reopening of Canada's economy began in May, but the expected slow and uneven recovery will be on full display in the reading for that month on manufacturing sales. The dramatic drop of roughly 35% over March and April will only have been partially recovered in May. Manufactured exports appeared weak in the trade numbers released last week, while hours worked in the employment report also indicated an only partial rebound. Auto production in particular might only stage a weak comeback with assembly plants only reopening in earnest towards the end of the month.

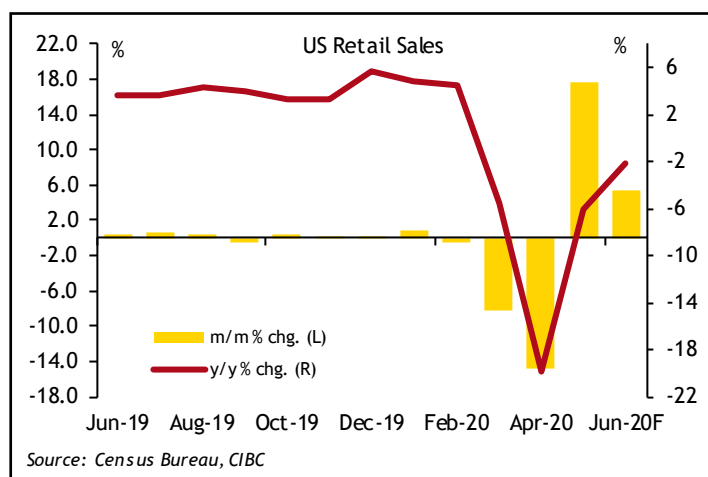
**Forecast Implications** — Factories could theoretically be up and running at full tilt quite quickly, but there are major hurdles to pass before that happens. Social distancing measures are still in place to protect workers in many factories and even in the medium term the lack of demand will likely leave capacity underutilized for some time.

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

(Thursday, 8:30 a.m.)

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	CIBC	Mkt	Prior
Retail Sales m/m %	5.2	5.0	17.7
Retail Sales – ex auto %	5.3	5.0	12.4
Retail Sales – control grp %	3.6	3.8	11.0



The continued relaxation of social distancing should have supported further growth in retail sales in most of June, but a resurgence in Covid cases towards the end of the month in some of the most populous states could have limited gains somewhat. A 5.2% advance in headline sales is consistent with the further release of pent-up demand following the end of lockdowns, and includes a bump in gasoline sales as people returned to driving and gasoline prices rose. That would still leave retail sales roughly 4% below where they stood prior to the pandemic.

The control group of sales which excludes autos, gasoline, building materials, and restaurants, should have registered a more moderate gain of 3.6%, which would leave them further above their pre-pandemic level, as sales in that group were bolstered by online purchases and stockpiling throughout much of the lockdown.

However, they are still tracking -11% in annualized terms over the second quarter.

**Forecast Implications**—With the threat of the virus growing and many states retreating on reopening, consumers are beginning to show more caution in movement and spending, something that should limit gains in retail sales in July. Given that the bulk of consumer spending occurs on services, consumption for the second quarter should look much worse than what is implied by retail sales. And with unemployment expected to remain elevated in the medium term, discretionary purchases should begin to level off.

**Market Impact**—We are only slightly less optimistic on the control group than the consensus, and markets will likely remain concerned with the acceleration in Covid cases clouding the consumption outlook in the coming months.

**Other U.S. Releases:****CPI—June**

(Tuesday, 8:30am)

Prices at the pump bounced back in June, something that should have supported a 0.6% advance in monthly price pressures to leave headline inflation six ticks higher at 0.7%. Stripping out the volatile energy and food categories paints a more muted picture of price pressures, which appear to have risen by 0.1% on the month following three months of declines. In annual terms, that would leave core inflation lower at 1.0%, consistent with a large output gap that should continue to limit price pressures over the rest of the year.

**Industrial Production—June**

(Wednesday, 9:15 am)

The further easing of social distancing in June should have seen industrial production pickup again after an underwhelming gain in May. Gauges for manufacturing production including hours worked and the ISM production sub-index suggest a 5% advance in factory activity, bolstered by a further rebound in auto production. Rig counts continued to edge lower throughout the month, a sign that mining activity contracted as global oil inventories remained plentiful. Even with a gain in utilities production on warmer than usual weather, capacity utilization should have remained low at 68.8%. With the resurgence of Covid cases accelerating towards the end of June, the recovery in business investment could be stymied in July.

# CANADIAN RELEASE AND EVENT DATES July/August 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
6  <b>Bank of Canada Business Outlook Survey</b>	7  <b>IVEY PURCHASING MANAGERS' INDEX</b> 10:00 AM	8  <b>FEDERAL ECONOMICS AND FISCAL SNAPSHOT</b>	9  <b>HOUSING STARTS</b> 8:15 AM 000's (AR) TOTAL SINGLES APR 165 36 MAY 196 44 JUN 212 42	10  <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 5.8 -8.5 12.3 6.8
13	14	15  <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 &amp; Monetary Policy Report</b>  <b>Bank of Canada Governor Macklem &amp; Sr. Dep. Gov. Wilkins speak at 11:10 AM ET</b>	16  <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>ADP EMPLOYMENT SURVEY</b> 8:30 AM	17  <b>WHOLESALE TRADE</b> 8:30 AM
20	21  <b>RETAIL TRADE</b> 8:30 AM (Current\$) M Y MAR -9.9 -8.3 APR -26.4 -32.5 MAY  <b>NEW HOUSING PRICE INDEX</b> 8:30 AM	22  <b>CPI</b> 8:30 AM M Y APR -0.7 -0.2 MAY 0.3 -0.4 JUN	23	24
27	28	29	30  <b>PAYROLL EMPLOYMENT, EARNINGS &amp; HOURS</b> 8:30 AM	31  <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
3  <b>CIVIC HOLIDAY (Markets Closed)</b>	4	5  <b>MERCHANDISE TRADE</b> 8:30 AM \$MN 12 MO. BALANCE APR -4,266 -19,138 MAY -677 -19,942 JUN	6	7  <b>LABOUR FORCE SURVEY</b> 8:30 AM AVG EMPLOY UNEMP HRLY (HSHOLD) RATE EARN M Y % Y MAY 1.8 -13.5 13.7 9.9 JUN JUL  <b>IVEY PURCHASING MANAGERS' INDEX</b> 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 July/August 2020



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>6</b>  <b>ISM NON-MFG SURVEY</b> 10:00 AM	<b>7</b>  BOT (9:00) REDBOOK (8:55)	<b>8</b>  <b>CONSUMER CREDIT</b> 3:00PM	<b>9</b>  <b>WHOLESALE TRADE</b> 10:00 PM  INITIAL JOBLESS CLAIMS (8:30)	<b>10</b>  <b>PPI</b> 8:30 AM M (SA) Y (SA) APR -1.3 -1.0 MAY 0.4 -0.8 JUN -0.2 -0.8
<b>13</b>  <b>TREASURY BUDGET</b> 2:00 PM	<b>14</b>  <b>CPI</b> 8:30 AM M(SA) Y (NSA) APR -0.8 0.3 MAY -0.1 0.1 JUN	<b>15</b>  <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>16</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  INITIAL JOBLESS CLAIMS (8:30)	<b>17</b>  <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
<b>20</b>  BOT (9:00) REDBOOK (8:55)	<b>21</b>  BOT (9:00) REDBOOK (8:55)	<b>22</b>  <b>EXISTING HOME SALES</b> 10:00 AM	<b>23</b>  <b>LEADING INDICATOR</b> 10:00 AM  INITIAL JOBLESS CLAIMS (8:30)	<b>24</b>  <b>NEW HOME SALES</b> 10:00 AM
<b>27</b>  <b>DURABLE GOODS ORDERS</b> 8:30 AM M Y APR -18.1 -30.1 MAY 15.8 -17.9 JUN	<b>28</b>  <b>S&amp;P/CASE-SHILLER HOUSE PRICE INDEX</b> 9:00 AM  <b>CONSUMER CONFIDENCE</b> 10:00 AM  BOT (9:00) REDBOOK (8:55)	<b>29</b>  <b>ADV. TRADE IN INTERNATIONAL GOODS</b> 8:30 AM  <b>FOMC Rate Decision</b>  <b>Fed Chair Powell speaks @ 2:30 PM ET</b>	<b>30</b>  <b>GDP</b> 8:30 AM (AR) REAL IMPLICIT GDP DEFULATOR 19:Q4 2.1 1.3 20:Q1 (F) -5.0 1.4 20:Q2 (Adv)	<b>31</b>  <b>PERS. INC. &amp; OUT.</b> 8:30 AM SAVING 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
<b>3</b>  <b>ISM MFG SURVEY</b> 10:00 AM COMP. PRICES INDEX INDEX MAY 43.1 40.8 JUN 52.6 51.3 JUL  <b>LIGHT VEHICLES</b> SALES MIL (AR) Y MAY 12.343 -29.0 JUN 13.046 -24.1 JUL	<b>4</b>  <b>FACTORY ORDERS</b> 10:00 AM M(SA) Y(NSA) APR -13.5 -22.3 MAY 8.0 -15.8 JUN  BOT (9:00) REDBOOK (8:55)	<b>5</b>  <b>ADP SURVEY</b> 8:15 AM  <b>GOODS &amp; SERV. BALANCE (BOP) \$B</b> 8:30 AM GDS SERV TOT APR -71.8 22.1 -49.8 MAY -76.1 21.5 -54.6 JUN  <b>ISM NON-MFG SURVEY</b> 10:00 AM	<b>6</b>  INITIAL JOBLESS CLAIMS (8:30)	<b>7</b>  <b>EMPLOY. SITUATION</b> 8:30 AM NON- CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN MAY 2699 13.3 6.6 JUN 4800 11.1 5.4 JUL  <b>WHOLESALE TRADE</b> 10:00 PM  <b>CONSUMER CREDIT</b> 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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