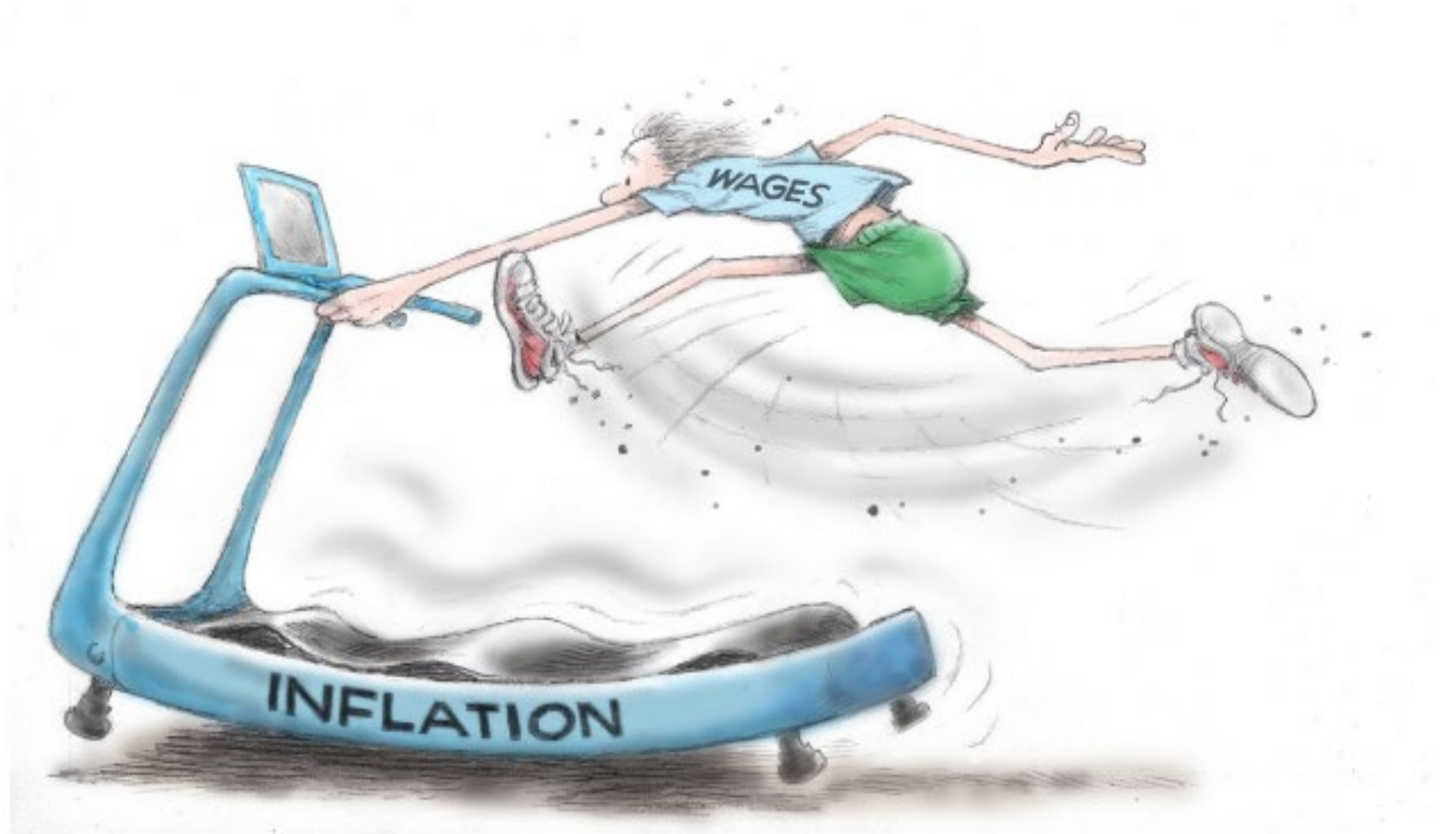


The Race

Benjamin Tal

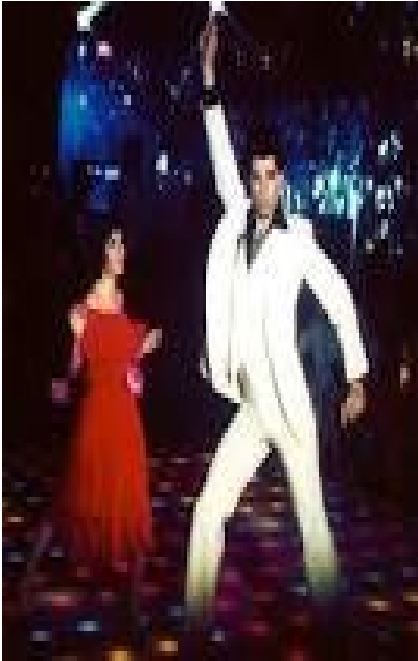
June 2022



So, what do we have here...

- Back to the 70s?
- Putin
- The virus
- Inflation
- Interest rates
- Real Estate

Back to the 70s? OPEC pricing power, Soviet Russian tanks, runaway CPI?



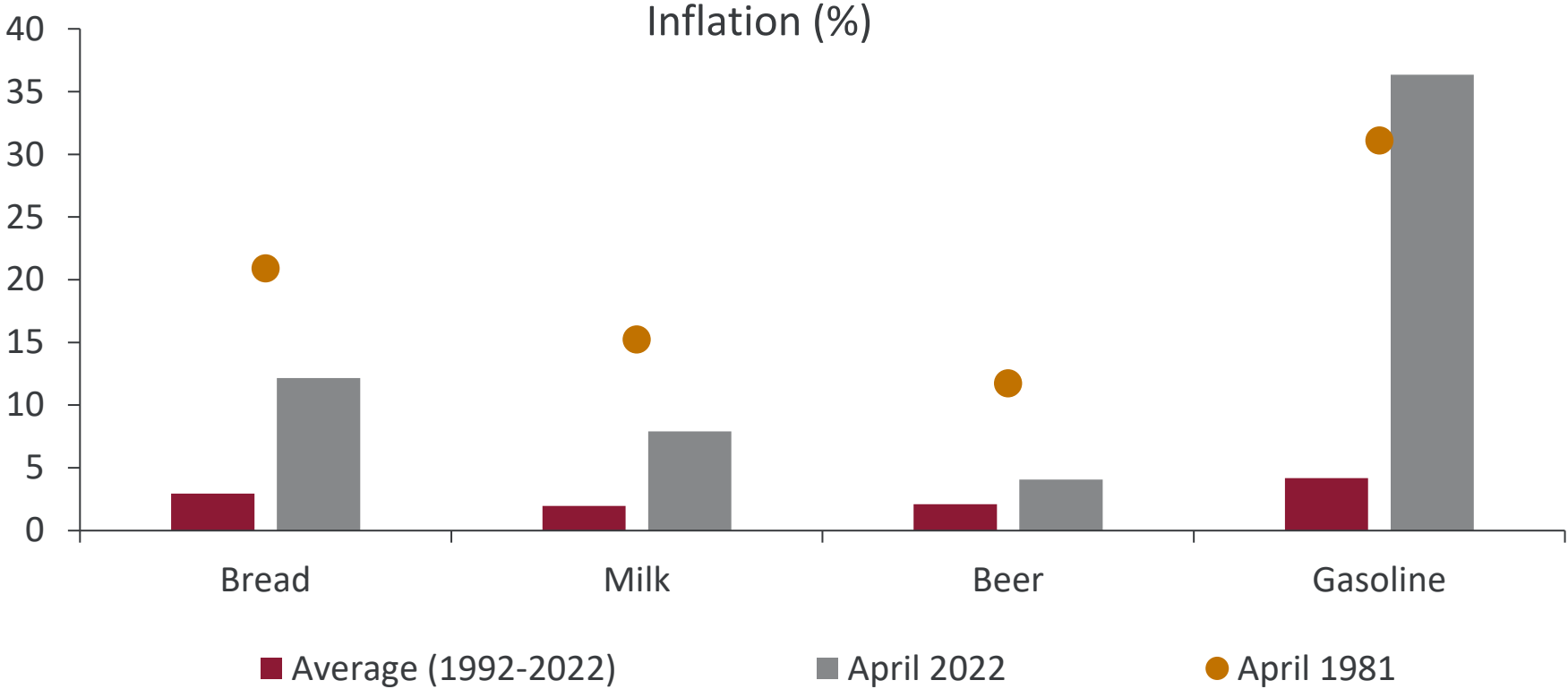
Inflation expectations: so far so good



Source: [Kim, Walsh and Wei \(2019\)](#), following D'amico, Kim and Wei (DKW) , Federal Reserve, CIBC

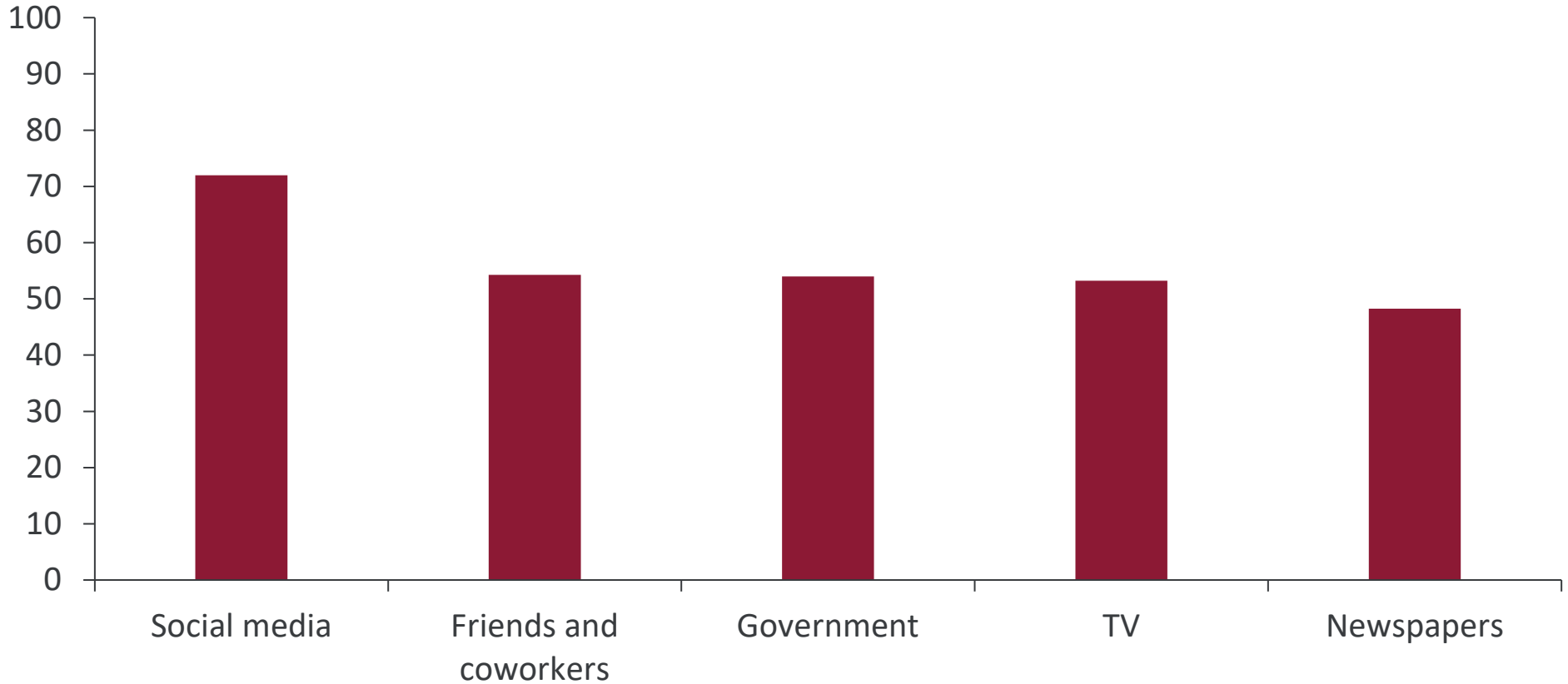


Inflation expectations are largely influenced by the price of gasoline, bread, milk and of course beer....



Source: Statistics Canada, CIBC

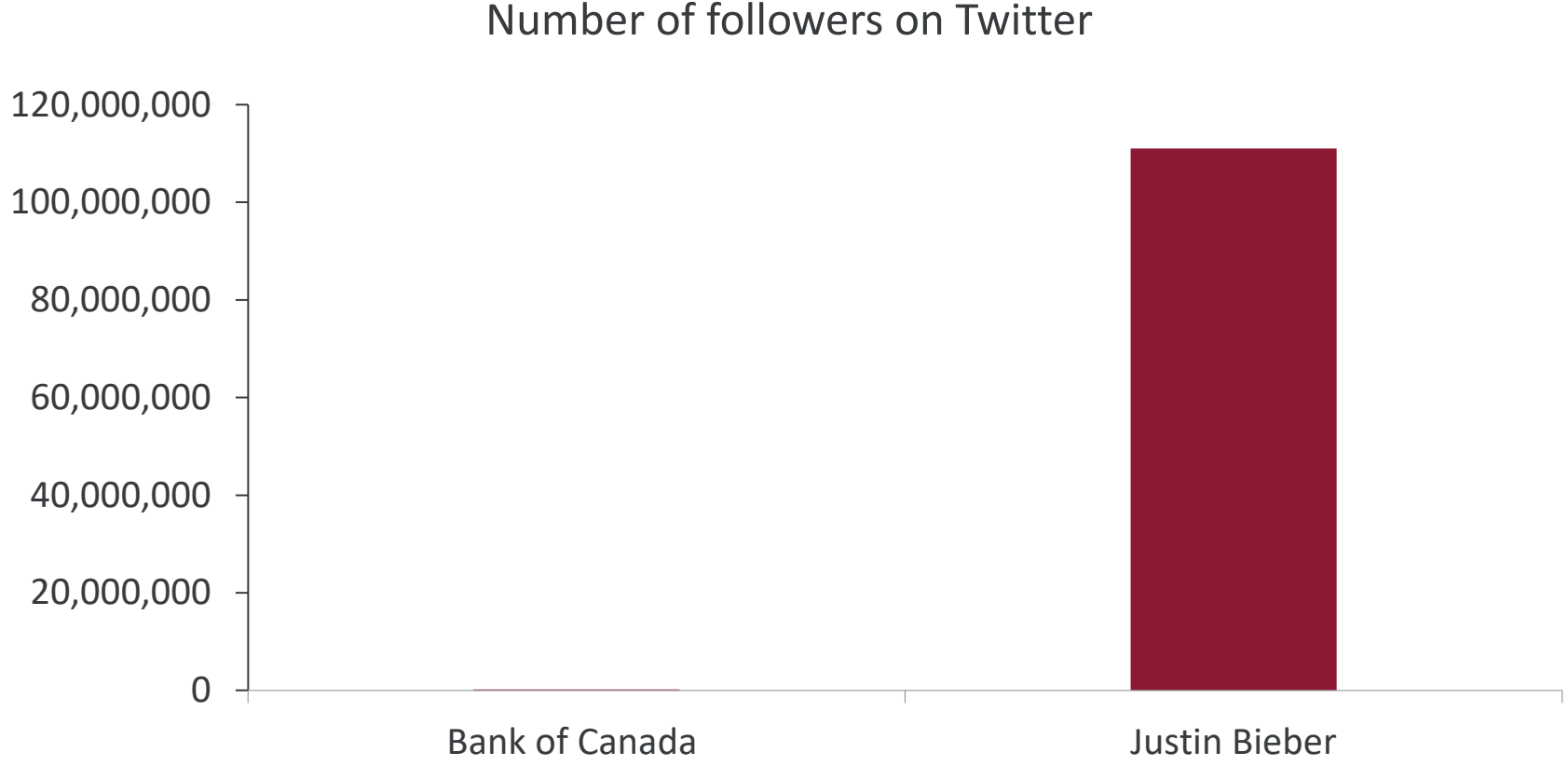
Credibility score



Source:Coibion et al (2021)



Bank of Canada: not too many “likes”



Source: Twitter



New world order

The end of post-cold war order

Russia – a pariah country

Global arms race

Cyber, Splinternet?

Deglobalization

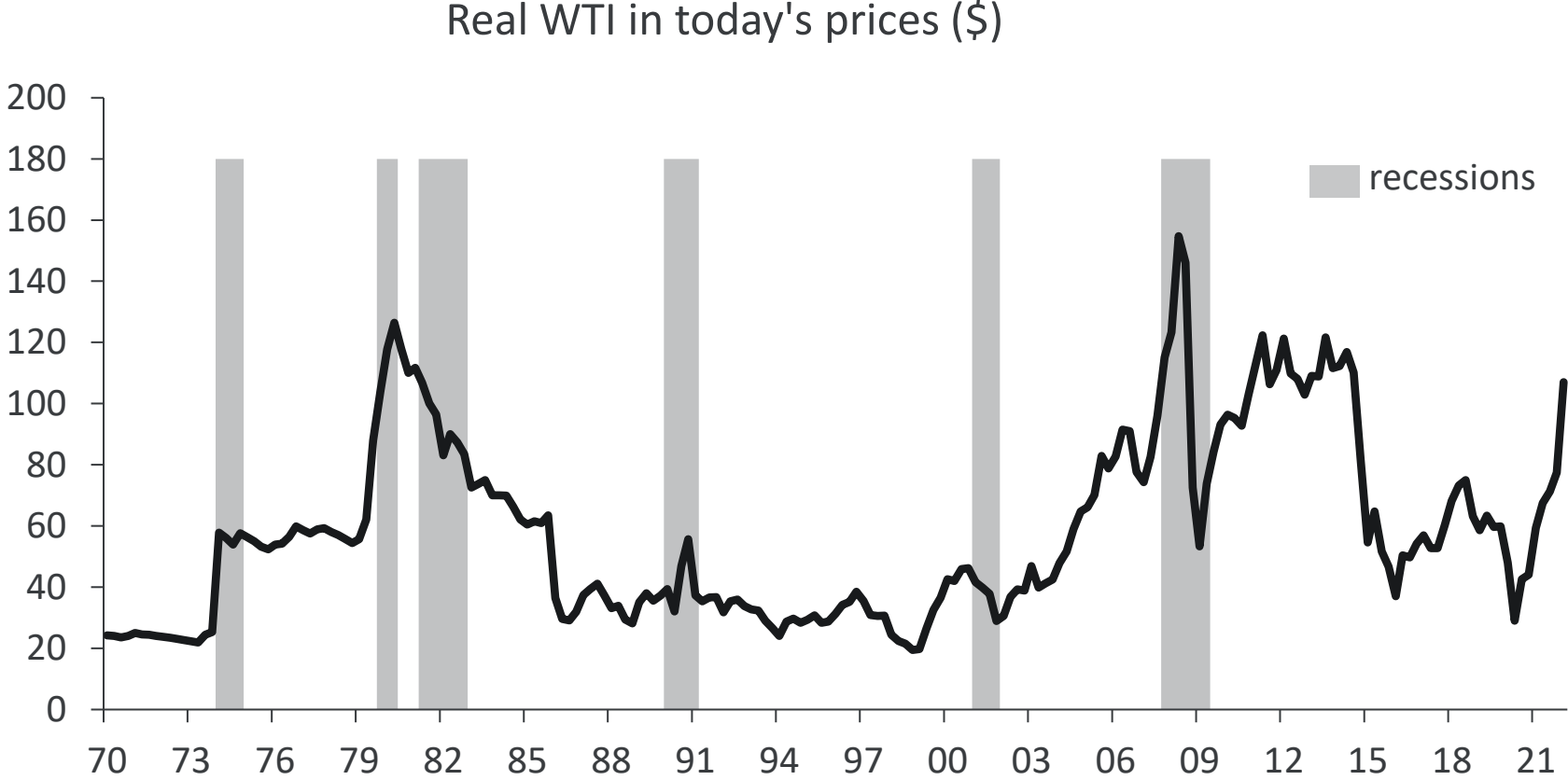
Greener Faster?

Source: CIBC



3.14159265359....

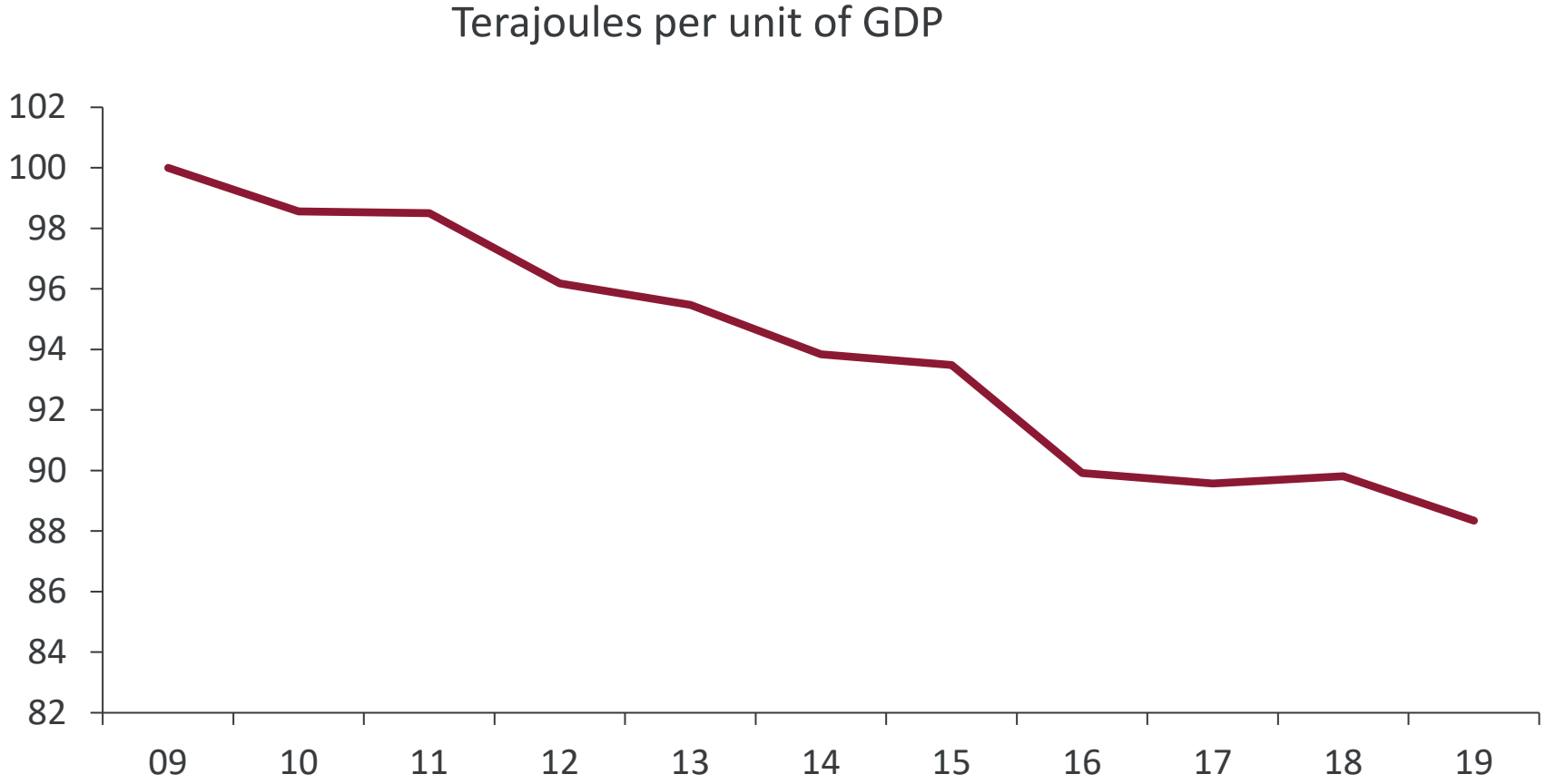
Oil price and recessions



Source: Statistics Canada, EIA/CME, CIBC



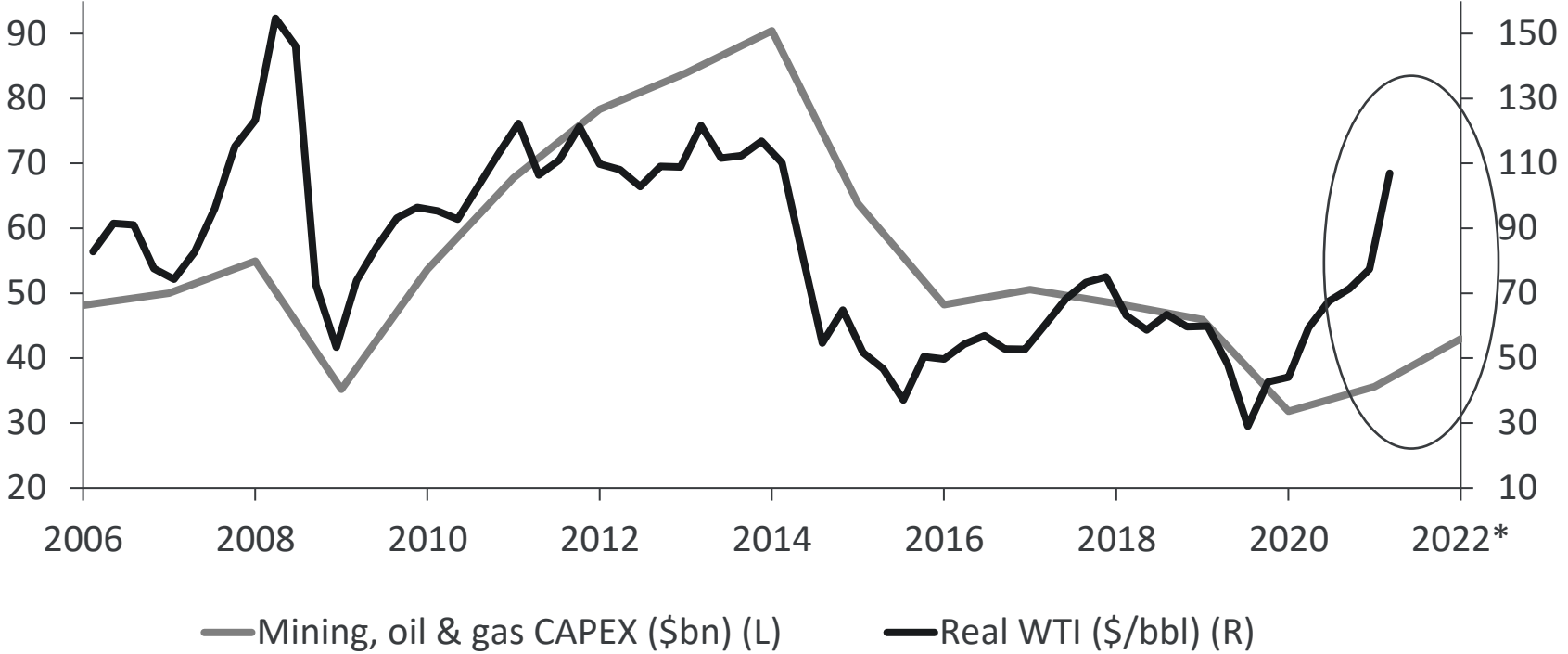
Economy less energy intensive



Source: Statistics Canada, CIBC



Capex in the energy patch unlikely to be as responsive to oil prices as in the past

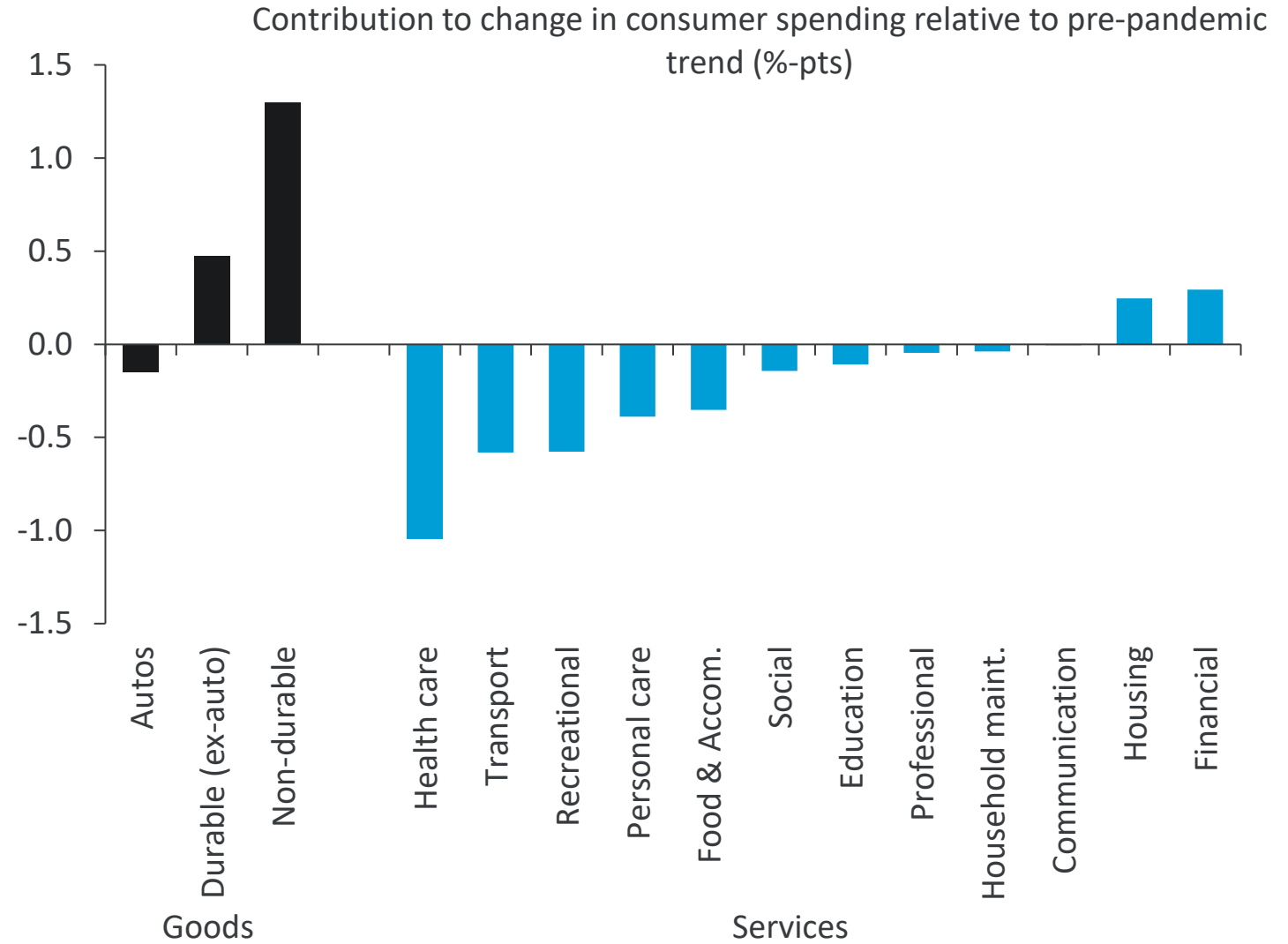
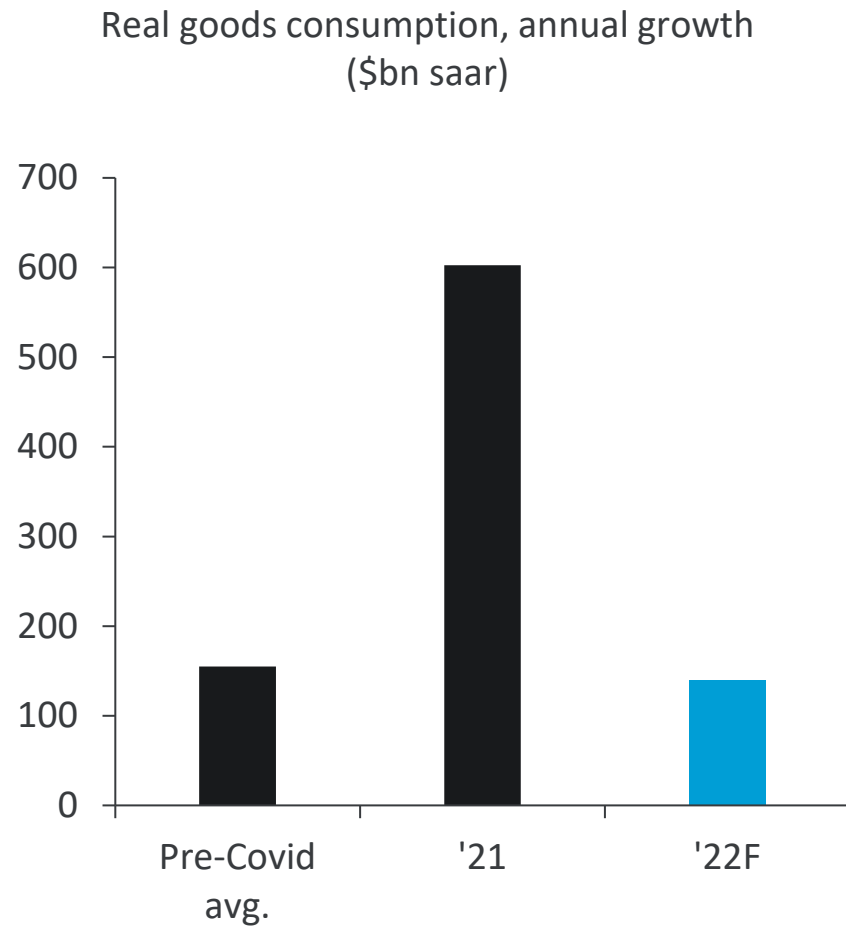


* investment intentions

Source: Statistics Canada, EIA/CME, CIBC



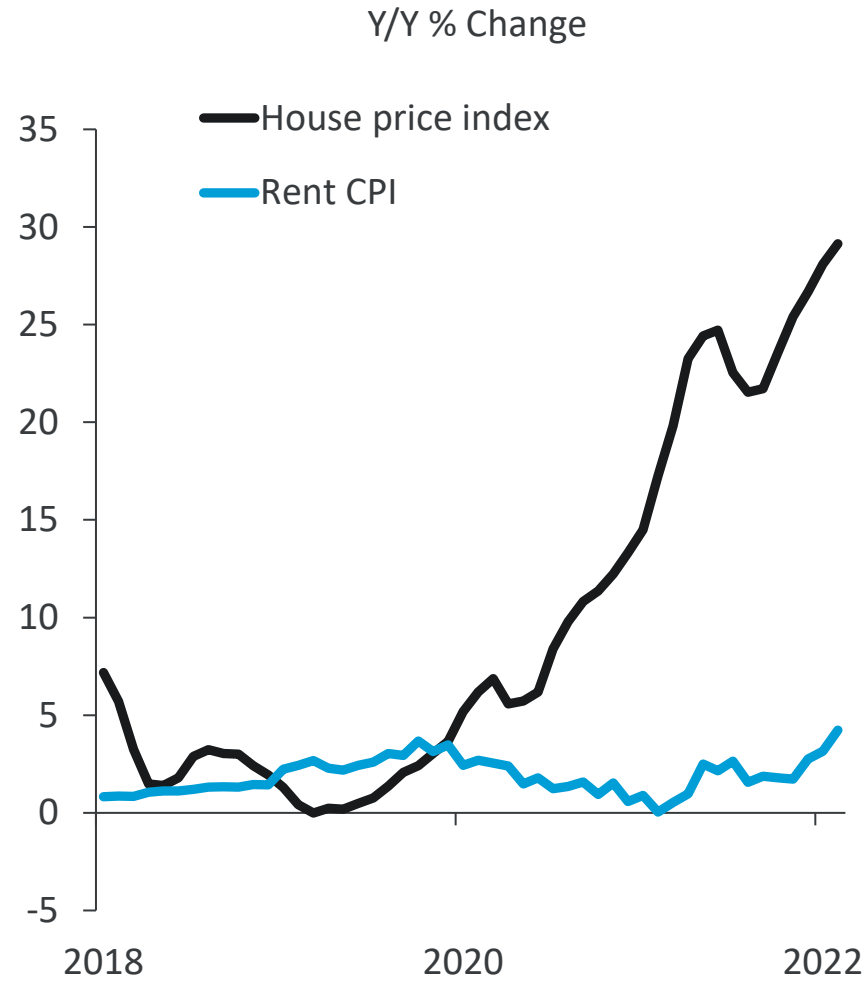
Real goods spending to slow (l), as services set to rebound (r)



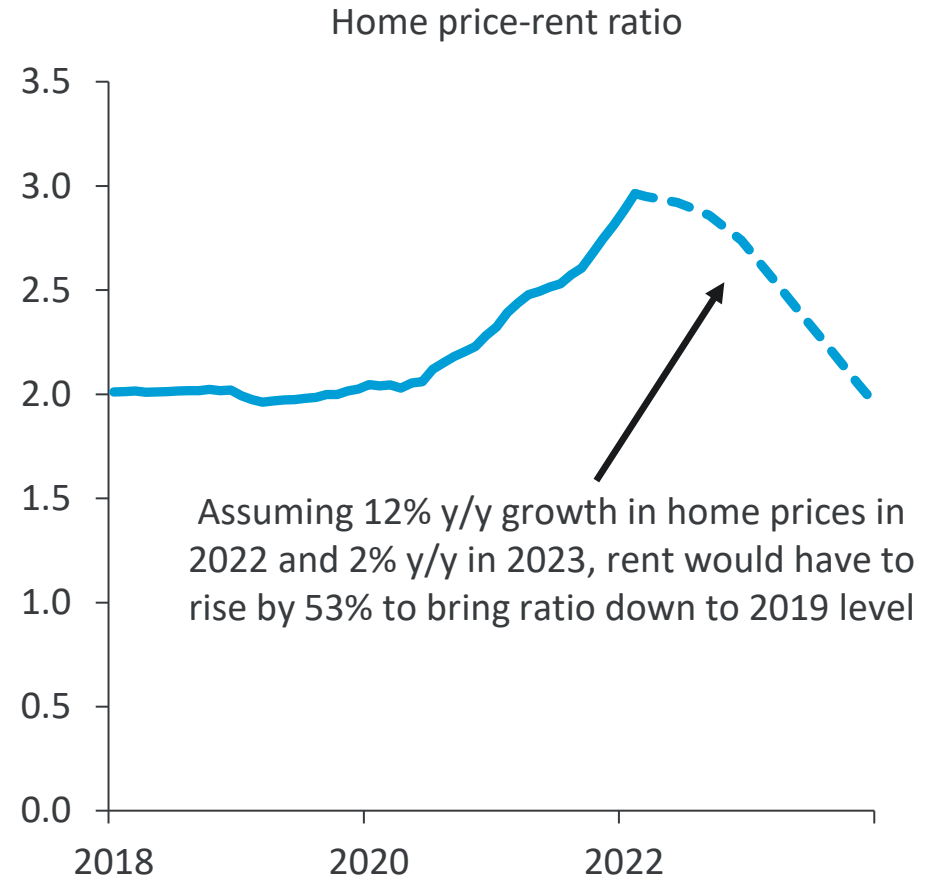
Source: BLS, BEA, CIBC



Rent inflation to accelerate in the coming years

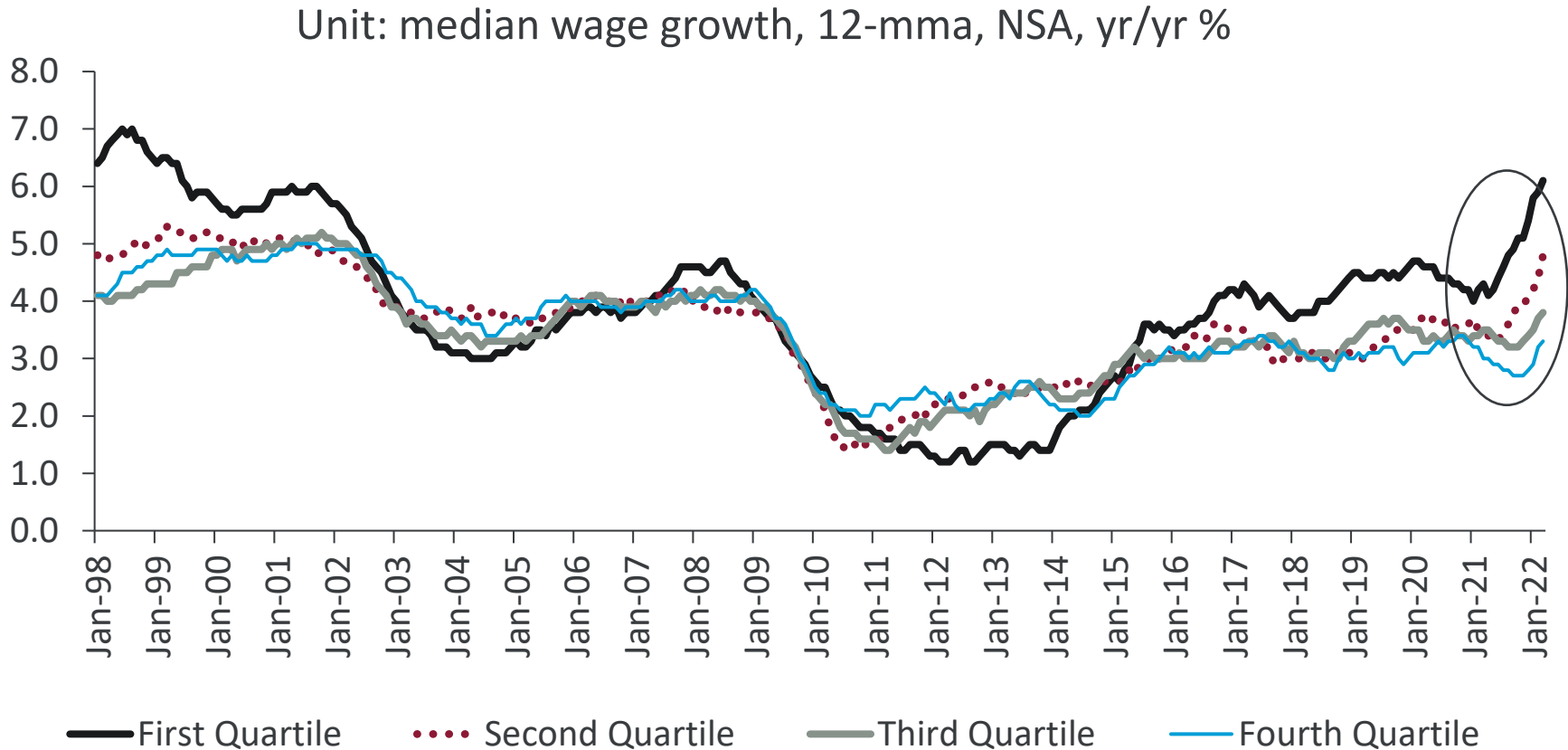


Source: CREA, StatCan, CIBC





Low wage rising faster ...interesting...

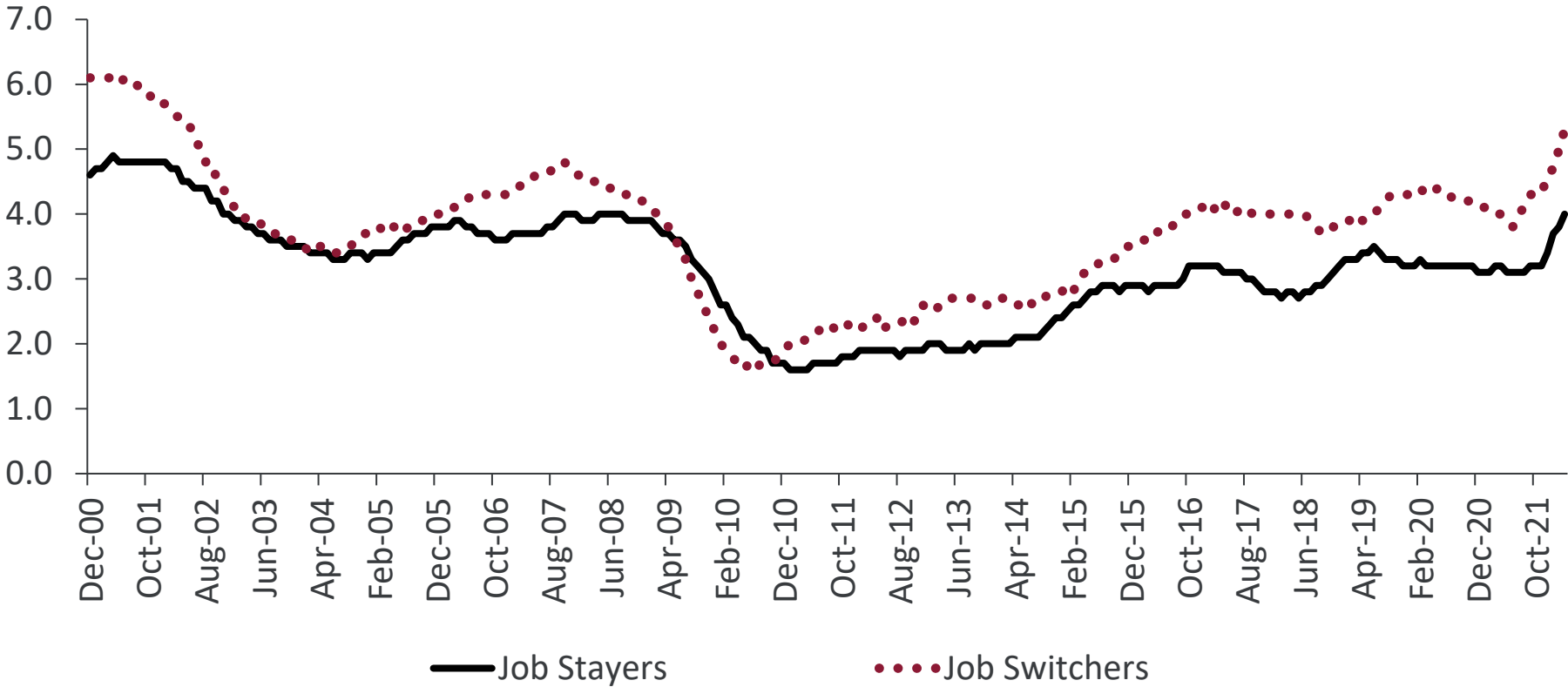


Source: Federal Reserve Bank of Atlanta, Haver Analytics



It pays to switch

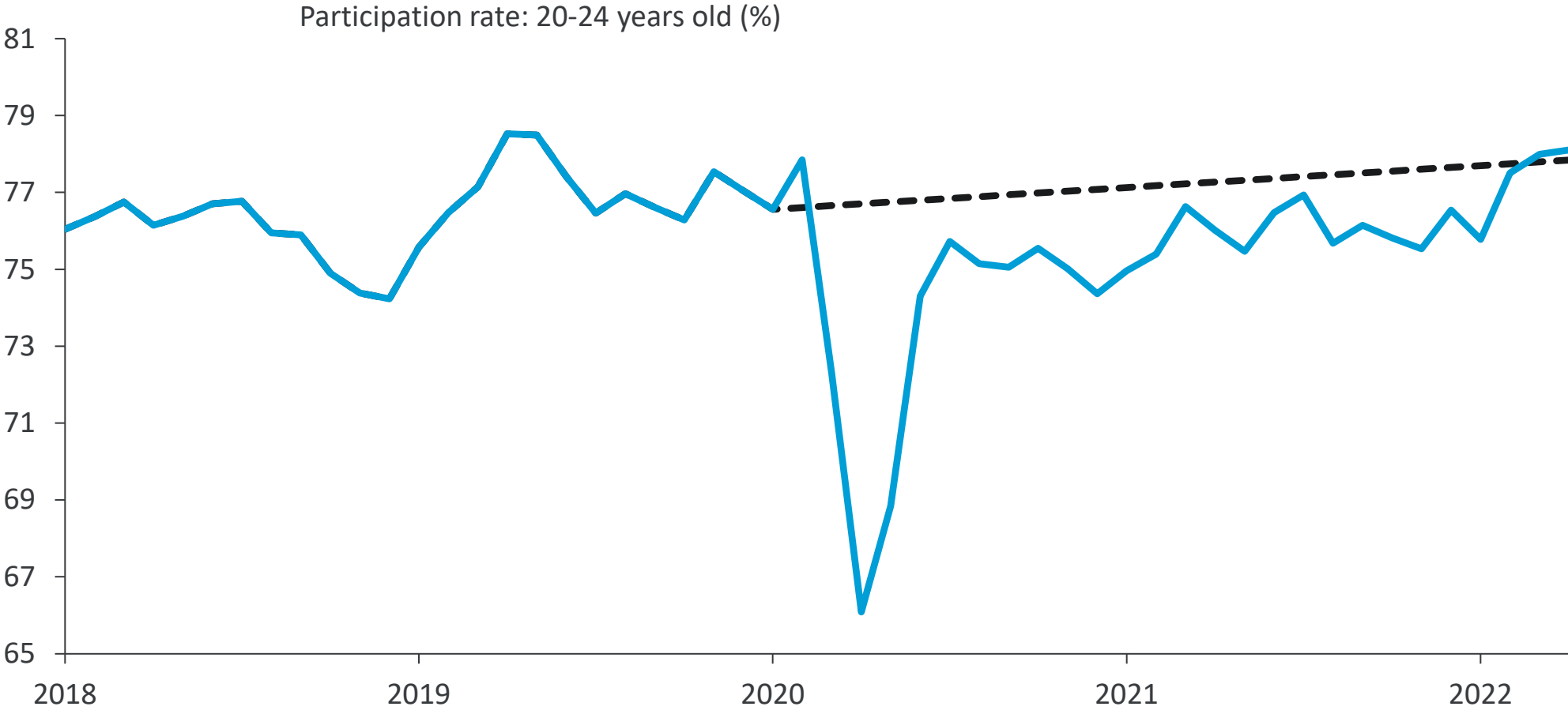
Unit: median wage growth, 12-mma, NSA, yr/yr %



Source: Federal Reserve Bank of Atlanta, Haver Analytics

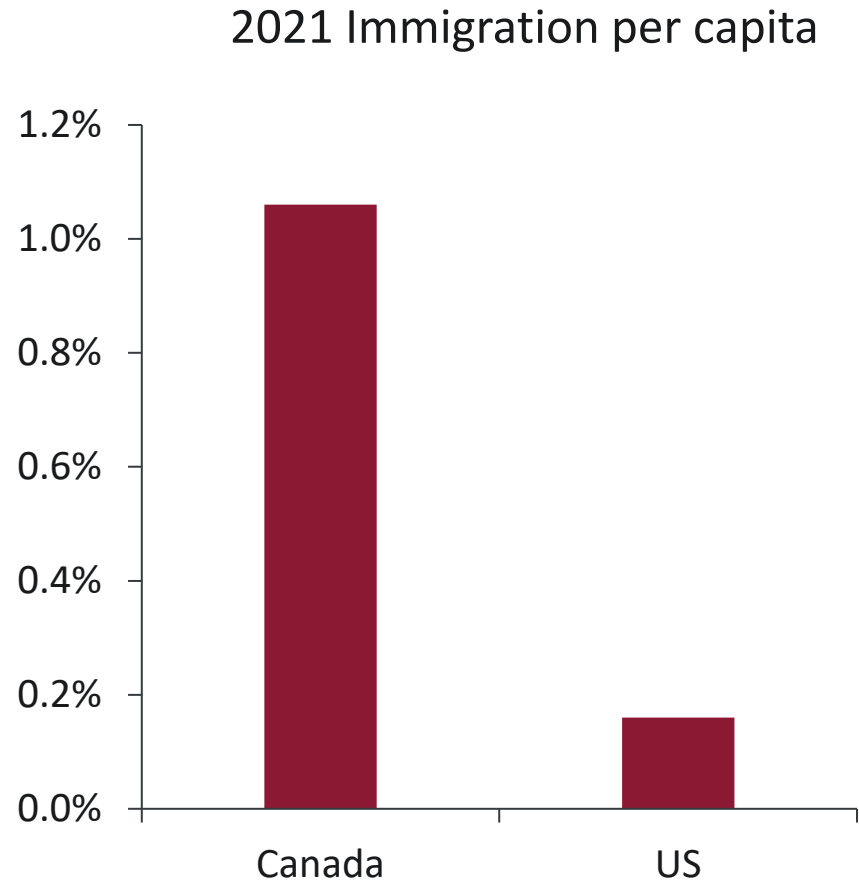
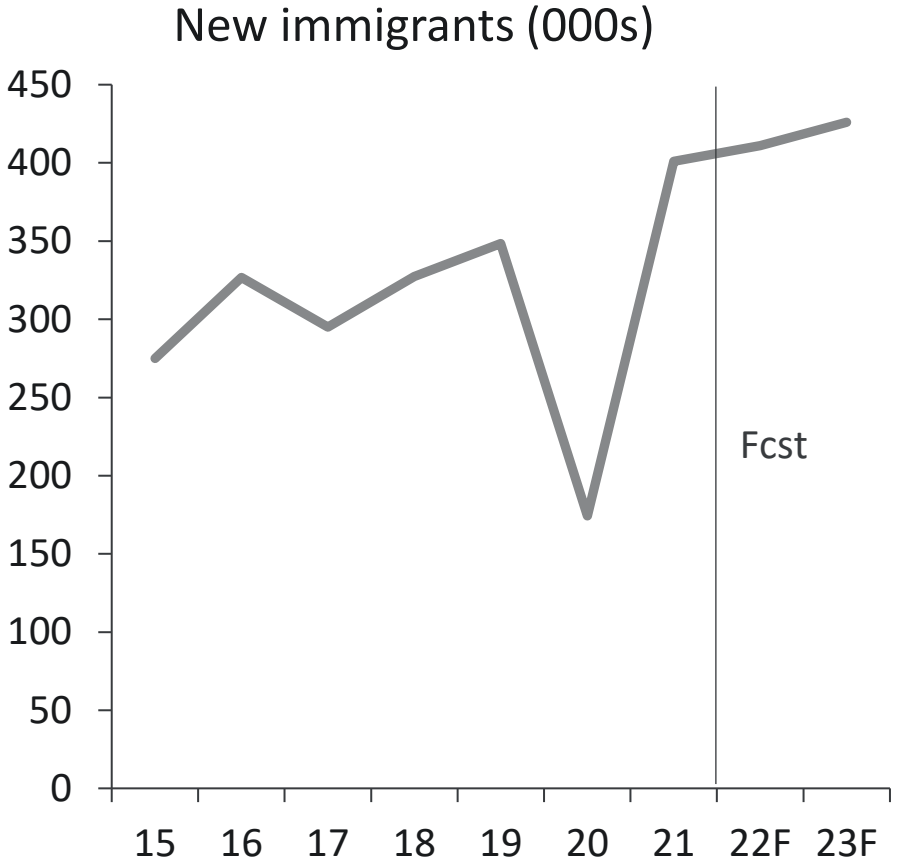


Young Canadians are not sitting at home...



Source: StatCan, CIBC

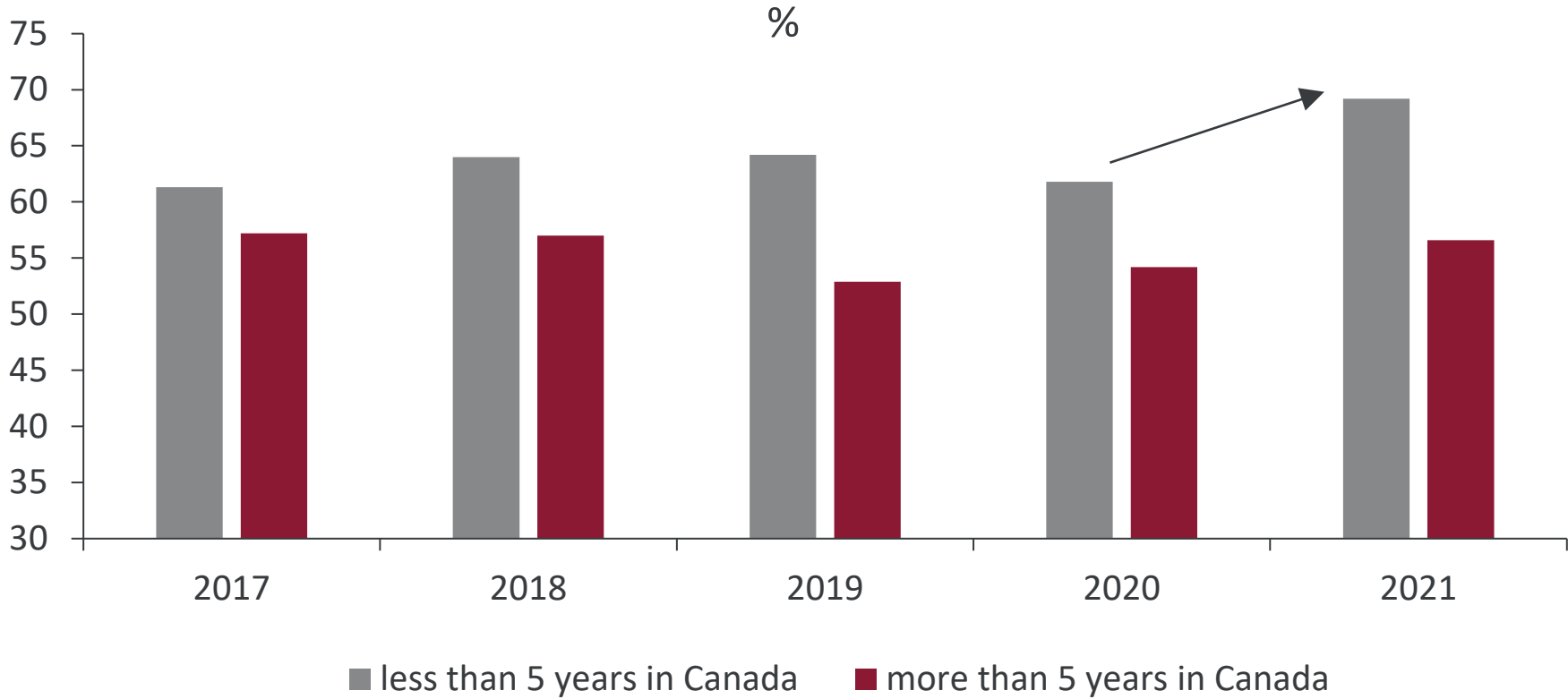
Strong immigration growth



Source: Statistics Canada, CIBC



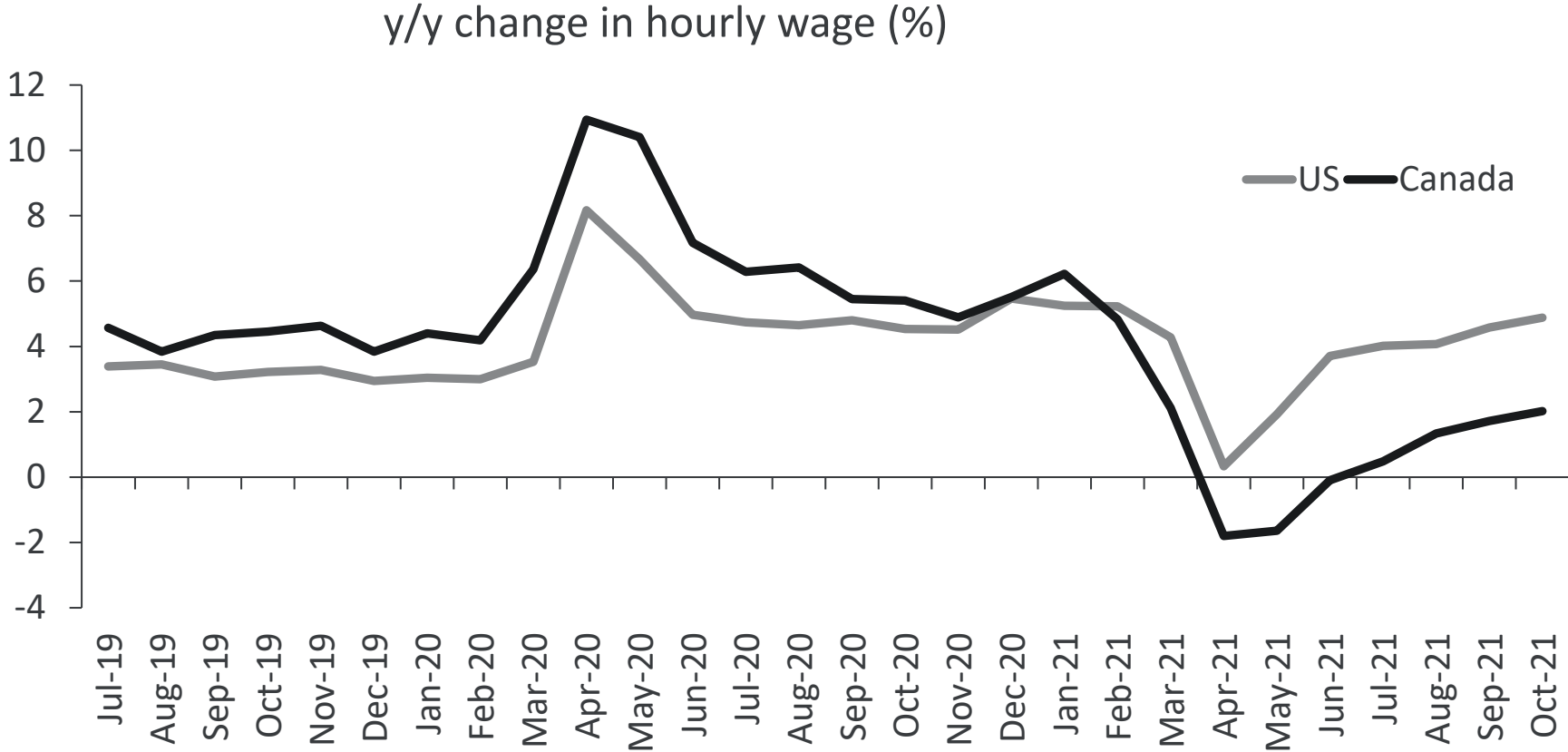
Immigrants' employment rate



Source: Statistics Canada, CIBC

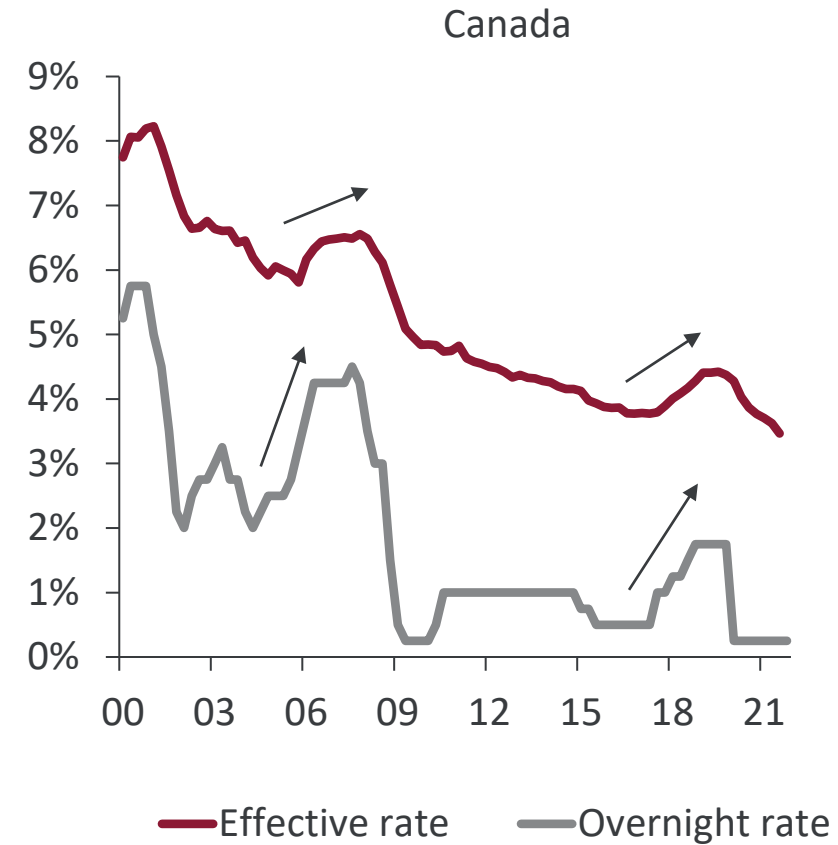
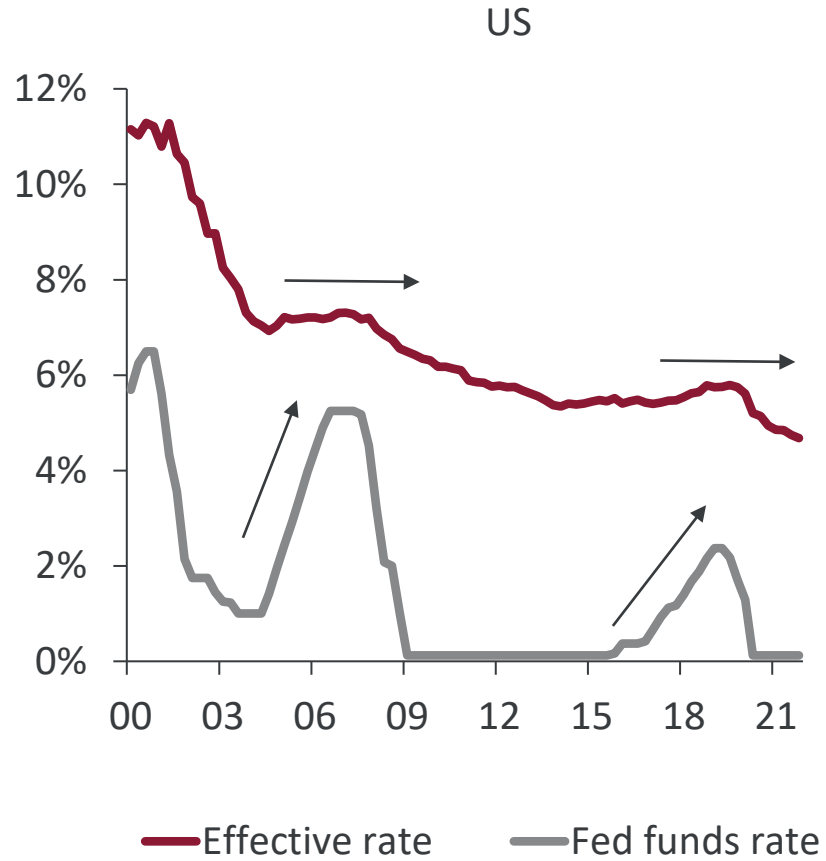


Wages: Rising faster south of the border



Source: BLS, Statistics Canada, CIBC

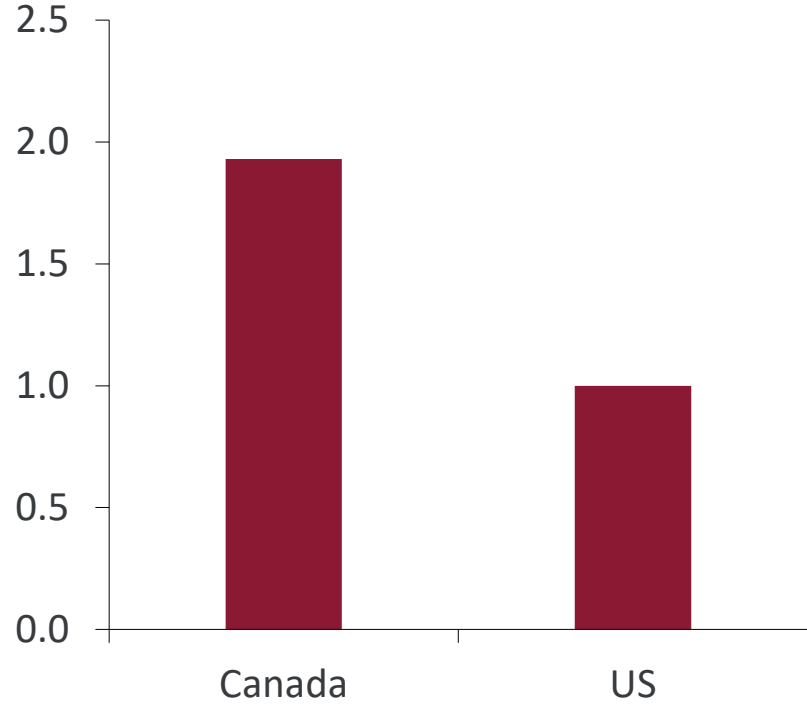
Effective rate less responsive to higher policy rates in US



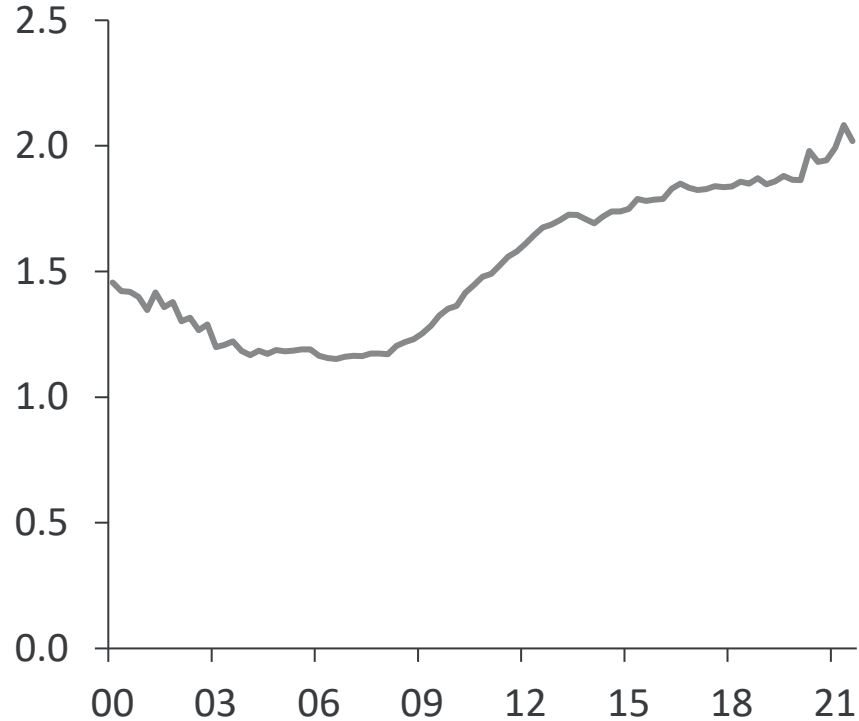
Source: BEA, Federal Reserve, Statistics Canada, Bank of Canada, CIBC

Canada more sensitive to higher interest rates than the US

Impact of 100-bp increase in effective rate
(% of consumer spending)



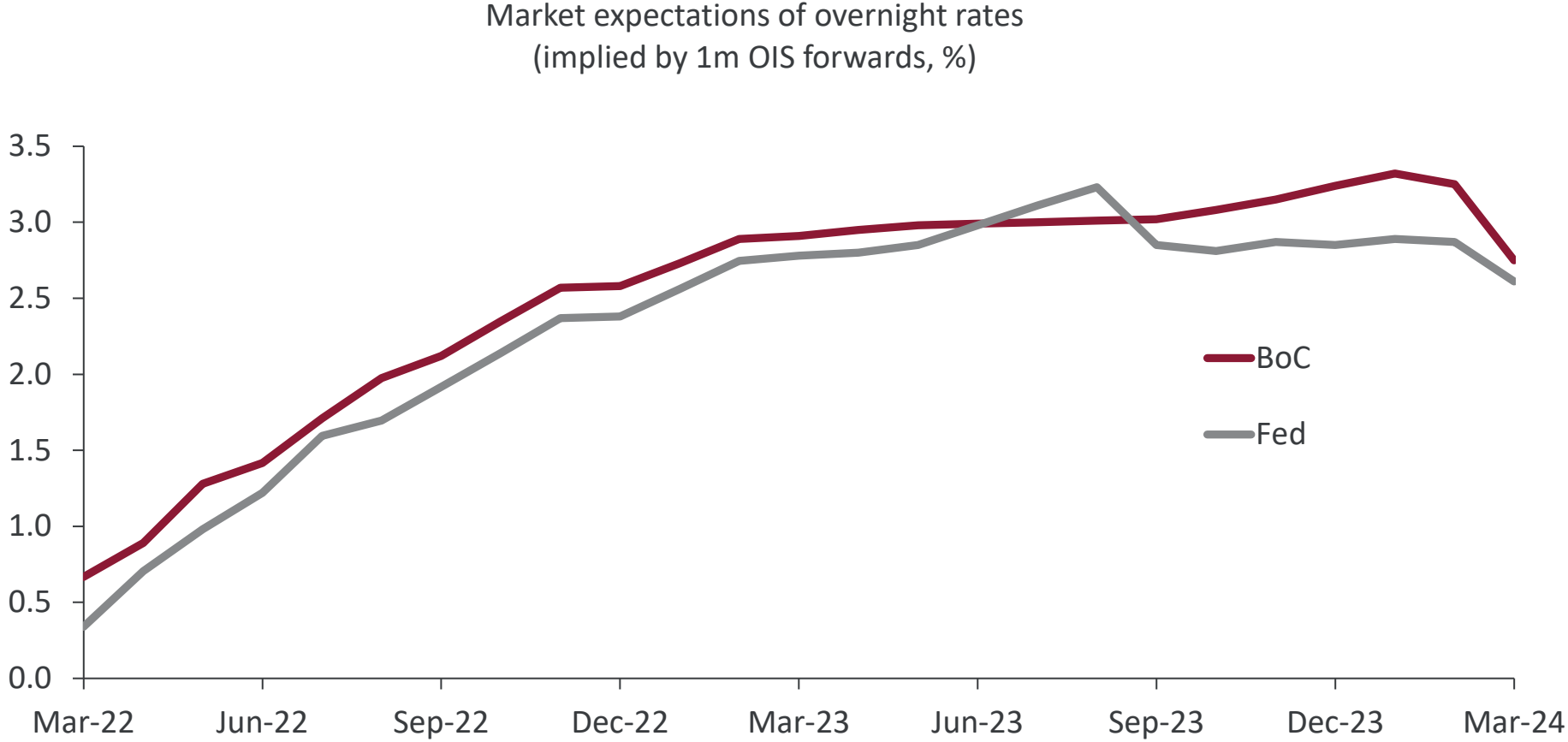
Ratio: Rate sensitivity Canada to US



Source: BEA, Statistics Canada, CIBC

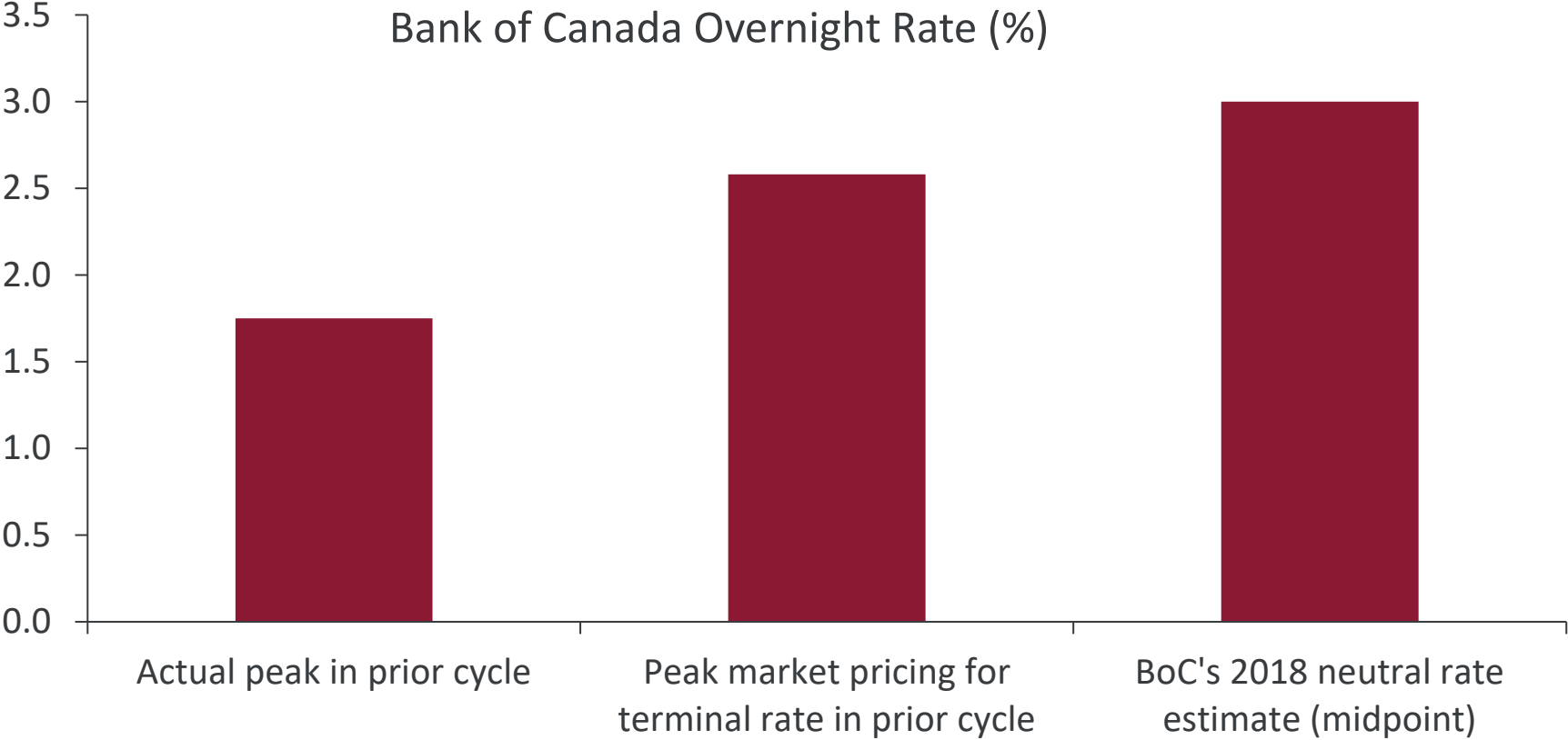


The market is pricing in an aggressive tightening trajectory



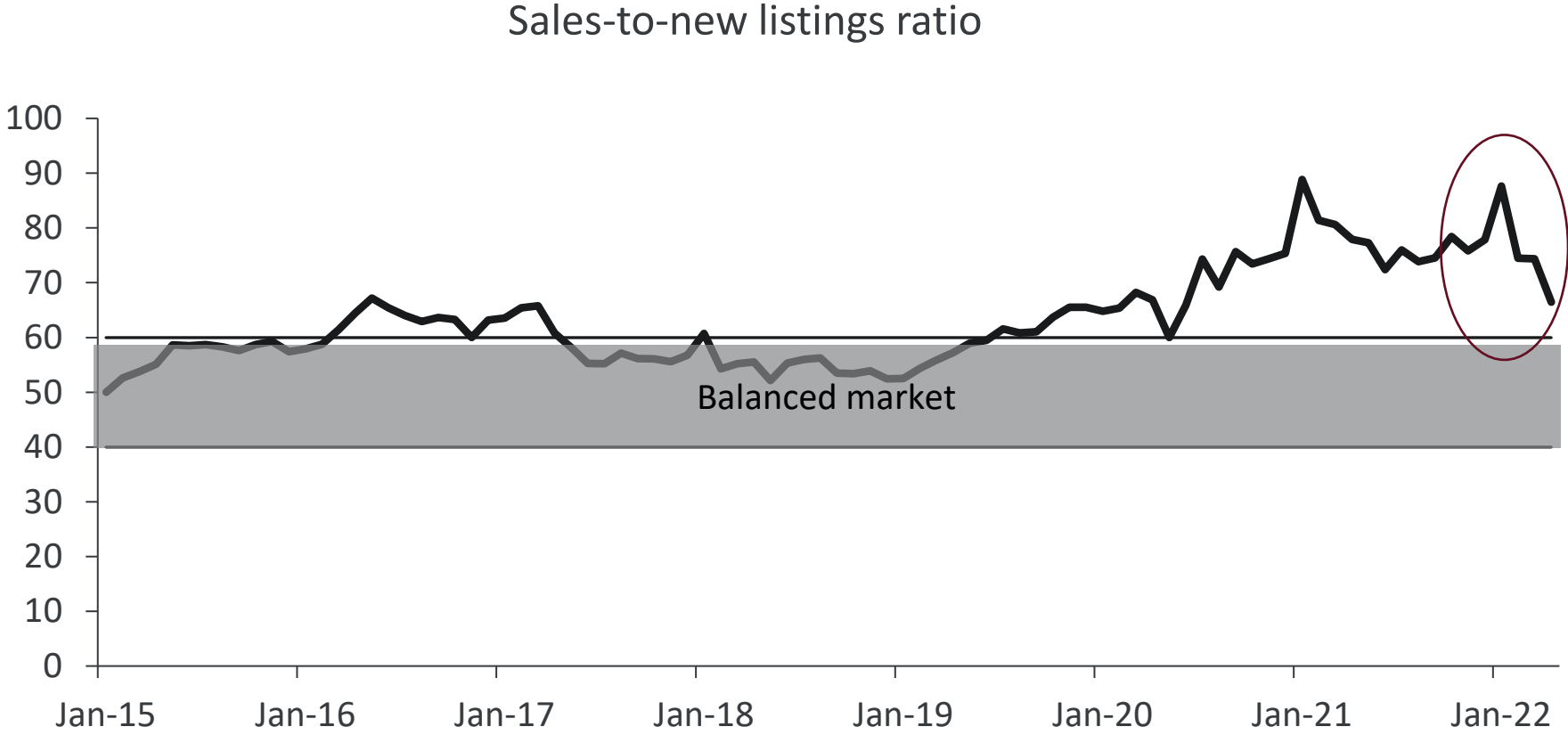
Source: Bloomberg, CIBC

2018 peak overnight rate was well below market expectations and Bank of Canada's estimate of the neutral rate



Source: Bloomberg, Bank of Canada, CIBC FICC Strategy

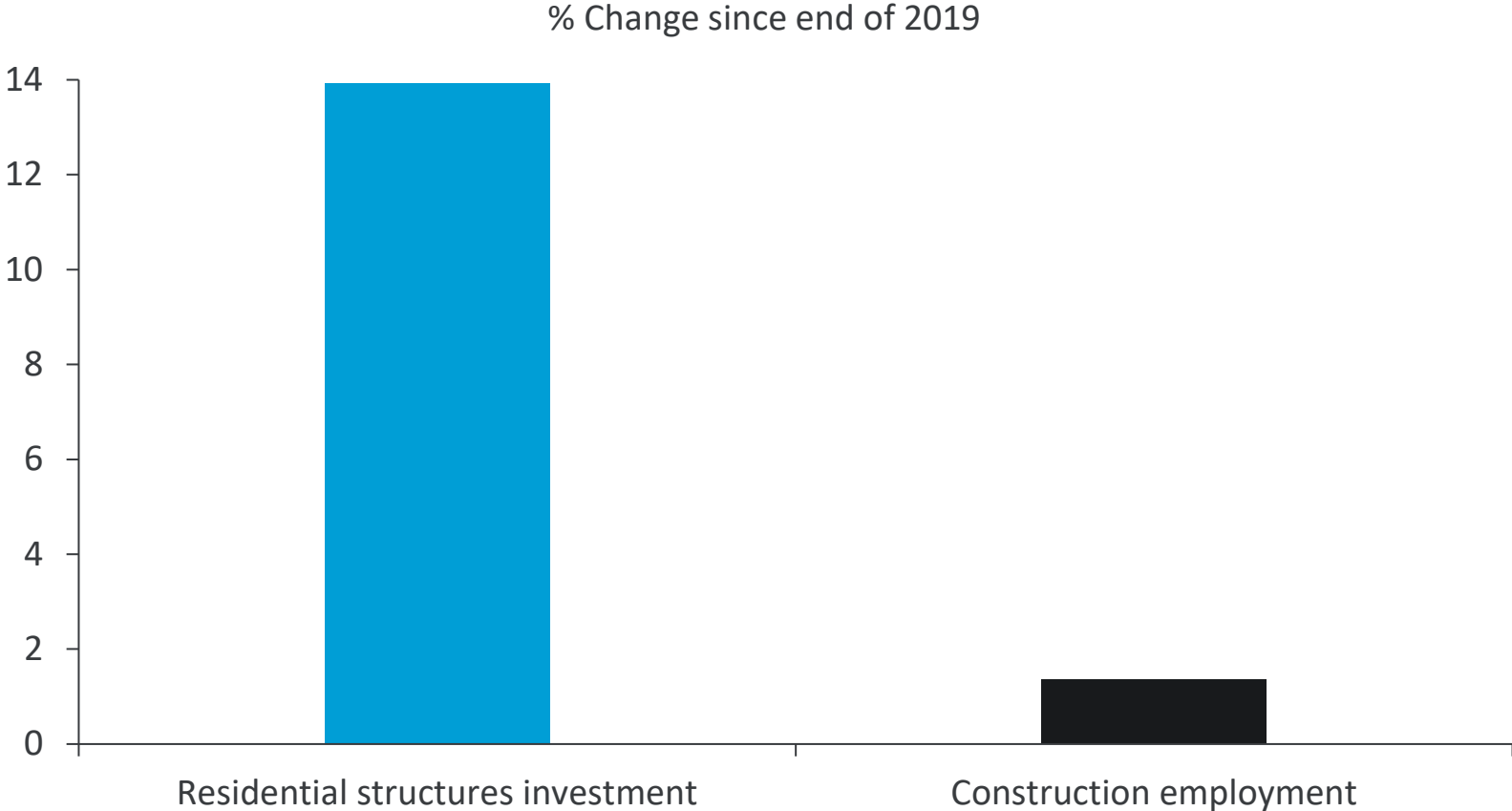
Housing – slowing quickly



Source: CREA, CIBC



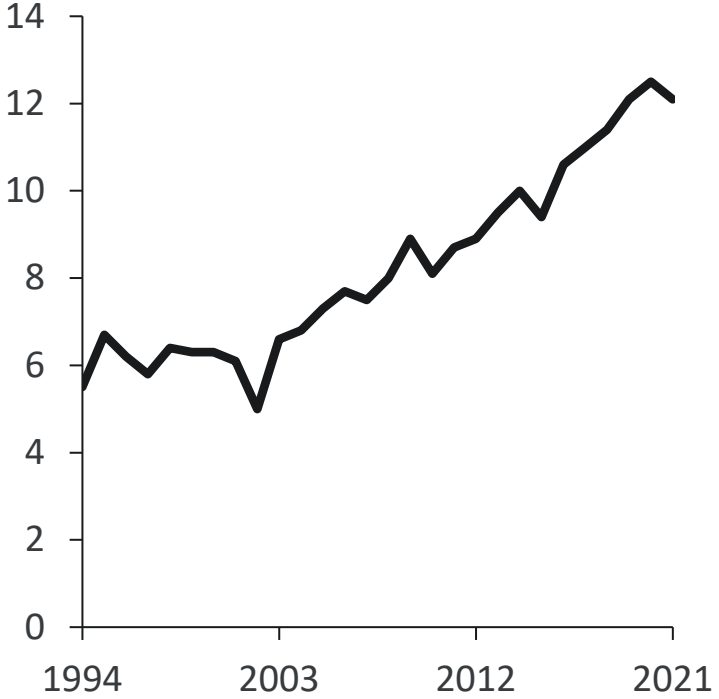
Construction employment hardly rising despite strong demand



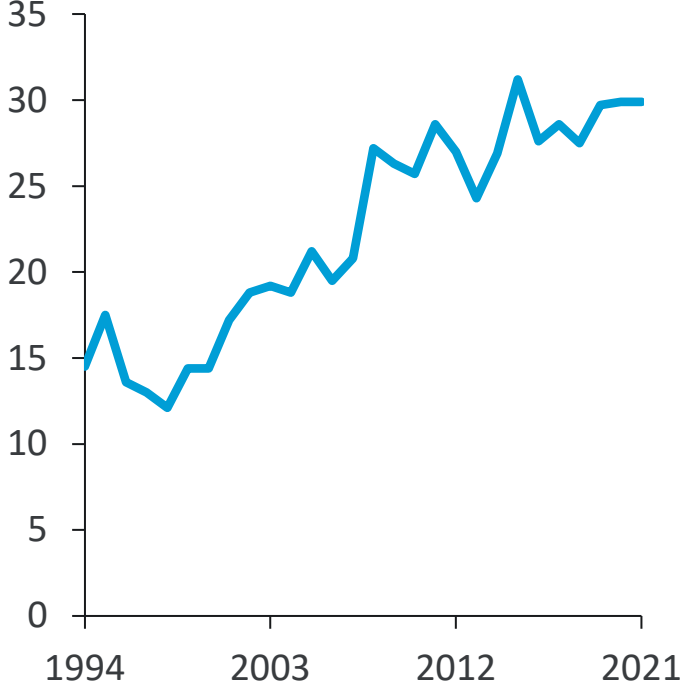
Source: StatCan, CIBC

Time is money

Avg. length of construction, single-family homes (months)



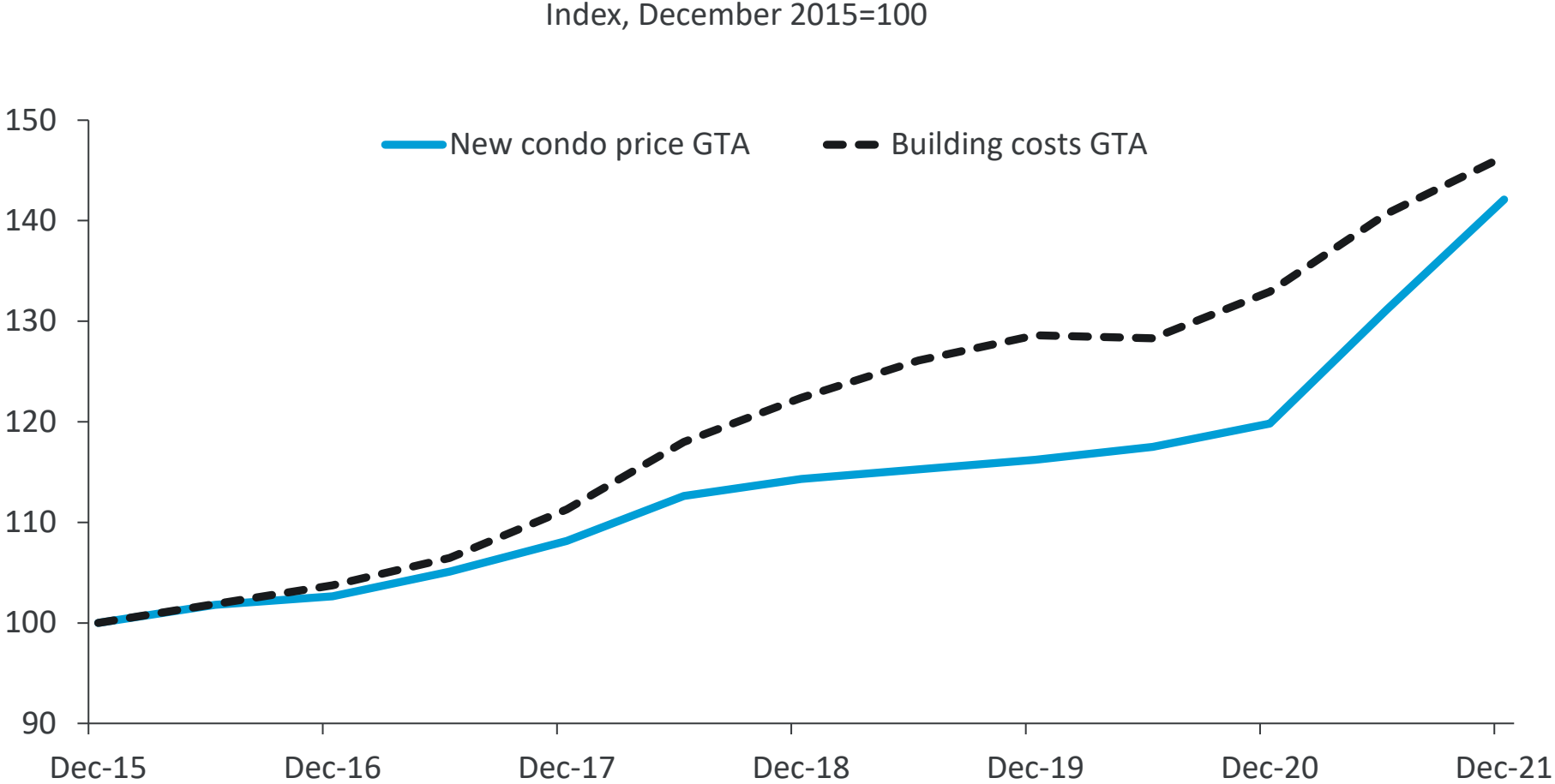
Avg. length of construction, apartments (months)



Source: CMHC, CIBC



Builders' margins narrowing



Source: Altus, Urbanation, CIBC

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