



No Debate: America Loses

Tomorrow night, President Joe Biden will square off in a debate against former President Donald Trump . . . a very old man vs. a slightly older very old man. This will likely be the most-watched presidential debate in history . . . and at the same time the most “painful to watch” presidential debate in history.

Trump supporters will be watching for Biden to make any sort of dementia-related gaffe, while Biden supporters will be watching for Trump to be repeatedly referred to as a convicted felon. All good theatre.

If Trump appears to have gained the upper hand in the debate, look for the Democratic Party to quickly find another presidential candidate. The Democratic National Convention is not until August 19th. Plenty of time to change horses.

And if Biden appears to have gained the upper hand, look for the Republican Party to double down on Donald Trump.

At BCWM, we will remind you (again) that the president of the United States gets way too much credit when things are good . . . and way too much blame when things are bad. There are so many events over which the president has no influence or control. So, enjoy the debate for its entertainment value.

And while you are watching, here are some notable points related to investing that might be discussed on the debate stage:

Jobs and Immigration

Over the past two years, the American job market has weathered some of the highest interest rates seen this century. Unemployment is still remarkably low. This will no doubt be a talking point of President Biden’s. During his term, the economy added back all the jobs that were lost during COVID — and more. A lot more. However, look underneath the hood and you’ll see that nearly half of those jobs have gone to foreign-born workers.

Good or bad, immigrants are making up a larger and larger percentage of the American workforce. Their share of the job market has grown under the last three presidents.



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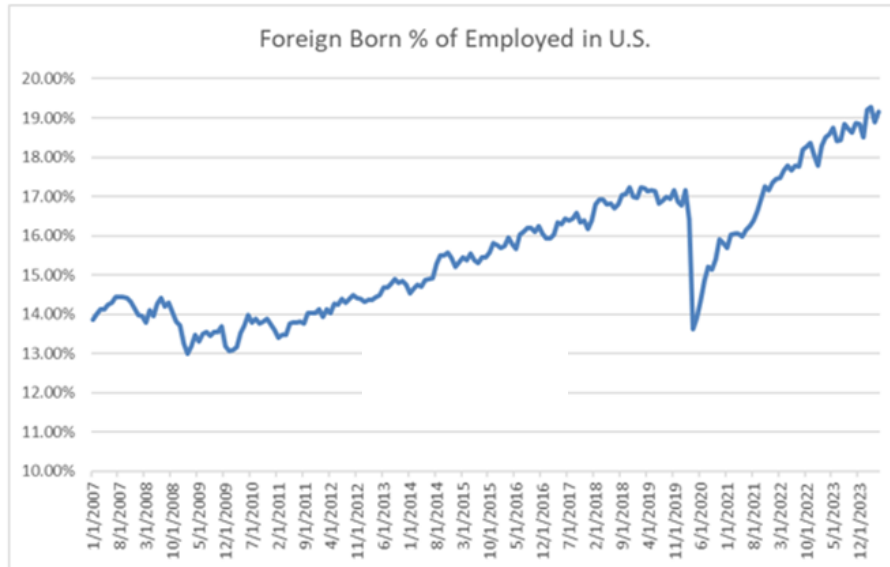
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Source: Bloomberg

But this growth was foreseeable. We talked about this back at the very beginning of Biden’s term in the article [“Help Wanted,”](#) where we noted that there were more jobs available in America than there were people to fill those jobs. This is all thanks to the demographic makeup of the United States, where there are not enough young workers to fill the shoes of the retiring Baby Boomers. We said:

“While the cause is mainly demographic, so is the fix.

- Go back 25 years and have more babies? Without the DeLorean, this option is off the table.
- Loosen immigration policies? Politically fraught, but a real possibility. And maybe someday a necessity.”

Old Joe must’ve been reading our Investment Commentaries, because day one in office, he reversed many of the Trump Administration policies that were designed to slow down immigration. Since then, [over 4 million](#) people have crossed the southern border of the United States, legally or illegally.

For the continued [growth of our population](#) and, in turn, our economy, immigration is necessary. Many small-business owners in the service sector will tell you it is essential for their survival. But that doesn’t mean the issue is not riddled with problems.

Republican Mike Turner said on CBS’s “Face the Nation” that “as a result of the Administration’s policies allowing people to cross the border unvetted, we have terrorists that are actively working within the United States that are a threat.”

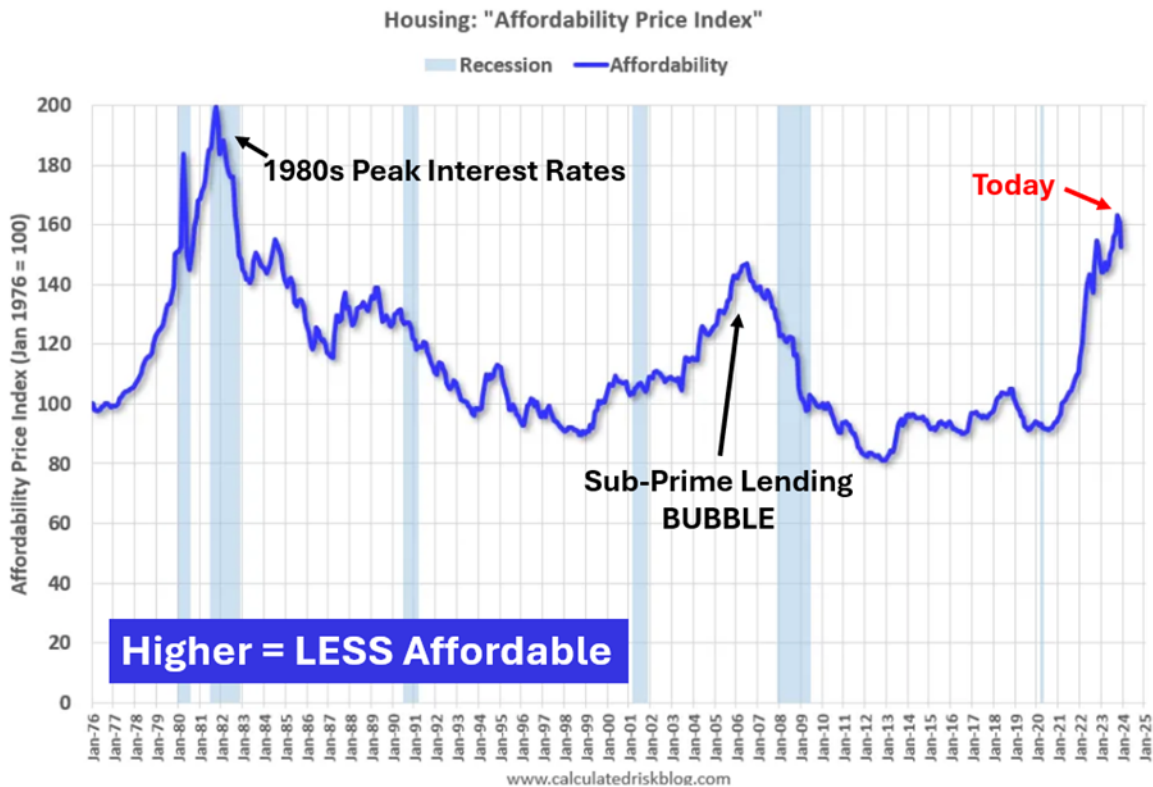
How do we let the good contributors in while at the same time protecting our country from those intent on harming it?

There is no question that immigration has helped to alleviate labor shortages in America. But [more than two-thirds of Americans](#) say they disapprove of the Biden Administration’s handling of the U.S.-Mexico border. Expect Trump to key in on this discontent by highlighting the negative aspects of immigration. Not only the fear of bad actors, but also the very real strain it puts on the nation’s resources, such as schools, social services, and housing.



And speaking of housing . . .

The housing market has changed dramatically since the last presidential election, and not in a good way. High home prices combined with high mortgage rates have resulted in the worst “housing affordability” in 40 years, which is a big problem for many voters.



Between finger-pointing and promises of a quick fix, each candidate will likely deliver talking points to sway those frustrated voters. However, this is a problem that cannot be quickly remedied through policy change (at least not without causing *other* problems). The good old-fashioned laws of supply and demand still rule here.

The good news is that “housing supply” (the number of homes for sale relative to the number of home buyers) has been steadily increasing. Higher supply puts *downward* pressure on prices.

Also, we expect lower interest rates in the future, which would decrease the cost of borrowing and mortgage payments.

However, demographics tell us that “housing demand” is not likely to wane anytime soon, as the millennial generation continues to buy homes. U.S. Census data show that the 30–39 age bracket (a powerful force in the housing market) will continue to grow for the next five years, and that’s before you factor in the recent pickup in immigration. During this time, we’d expect home prices to keep going up, just not as quickly as they have been.



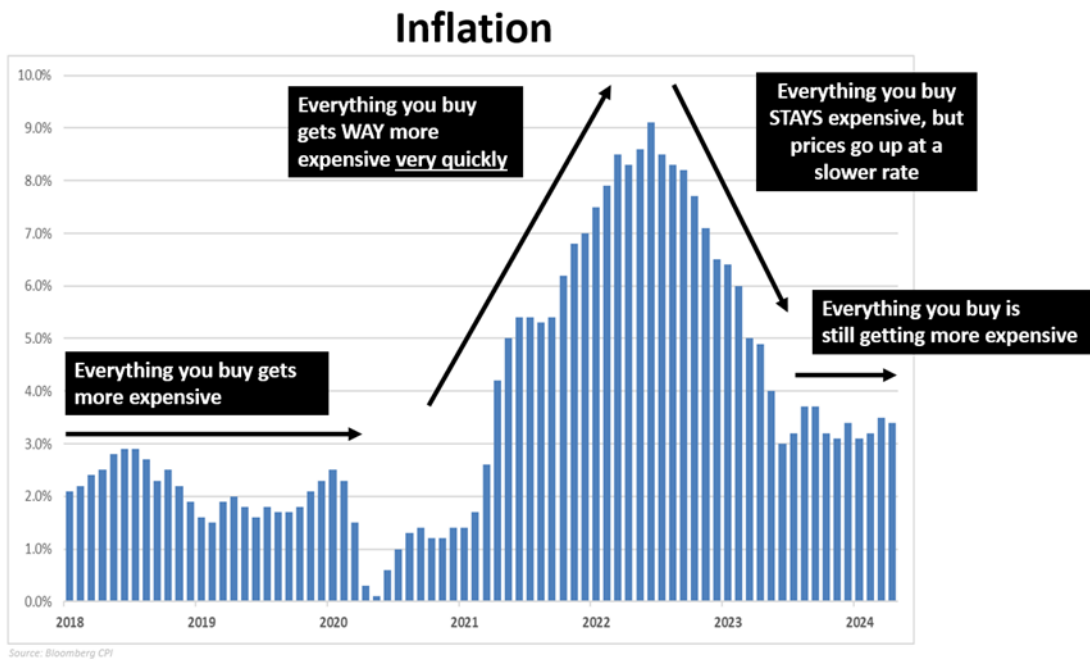
Inflation

At a rally this past Saturday, former President Trump held up a mini box of Tic Tac mints to illustrate the effects of inflation on the American public . . . namely, that you no longer get as much for your money as you used to.



While props won't be allowed in the debate, this tangible example of "[shrinkflation](#)" will hit home with the average American, who has a hard time understanding that "lower inflation" does not mean "lower prices."

We showed you the chart below a [year ago](#). But the story remains the same. The high, high inflation that we experienced (mostly in 2022) has come down, but prices are still increasing (up 3.3% over the past year).

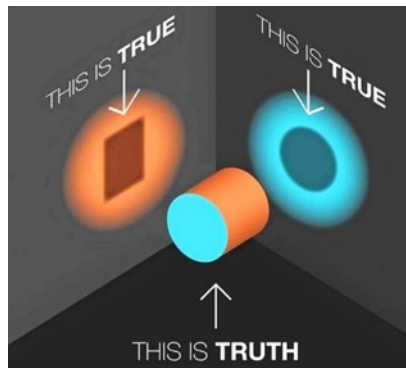


The expectation of BCWM and the markets is that the *rate of increase* will continue to fall. Whether inflation is decreasing fast enough to alleviate voters' concerns will be put to the test this November.

Artificial Intelligence

While not necessarily a topic of debate, Artificial Intelligence is creeping into presidential election strategy.

The way news is covered, delivered, and consumed has transformed into something completely different from what it was 20 years ago. Back then, social media barely existed, whereas now, for many people, these platforms are their main source of information. They often serve as echo chambers, where people go to have their beliefs reinforced, not challenged or scrutinized. Two people getting news about the same event can be fed completely contrasting stories, all because their social media news feeds were curated by computer algorithms designed to maximize engagement rather than provide a balanced perspective.



And AI is only going to make this worse.

The ability to manufacture extremely convincing disinformation is going mainstream. This includes images that seem real but aren't. Fake videos known as "deep fakes" that look just as good as the real thing. AI "bots" trained to interact like real people that, online, can easily pass for a human. And who knows what else.

So far, it seems that official campaign teams have adopted only the unsexy productivity and analysis AI tools. But tech-savvy supporters of each candidate are [leaning in](#). Finding information you can trust is increasingly difficult. AI has a lot of benefits, but the "information age" is facing its toughest test yet.

A modern "[Wag the Dog](#)" situation has yet to unfold (as best we know), but look out 2028.

For now, AI is just lighting up the stock market.

A couple of weeks ago, Apple finally announced its big plans for further AI integration into its products. The stock jumped 7% in one day. That jump was amid Nvidia's two-month run that added \$1 trillion of market value, making it the most valuable company in the world — for a single day, before Microsoft reclaimed the title. These three companies have been jockeying for the top spot all year.

Deciding which company is the most valuable is easy . . . It's the one that ultimately attracts the most investor dollars.



Deciding which presidential candidate is the most qualified candidate is NEVER that easy. Particularly in a political system that doesn't always give you the best to choose from.

No matter who wins the election, most Americans feel like we could've done better.

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