Dear Client:

With many types of workers so scarce... And many jobs that can be done remotely...
It's inevitable that telecommuting will grow in the years ahead. For employers, there are pluses and minuses that come with a far-flung workforce.

Remote work is already going mainstream. 17% of workers do most or all of their jobs from home or from some nonwork location. 36% of the workforce does at least a little bit of telework.

Knowledge-based jobs are especially suited to being performed off-site...programming, marketing, writing, business consulting, design, etc. Technology like instant messaging makes telecommuting easier than it used to be, giving more folks the option.

For employers, the trend can be an asset... more qualified workers to tap, less dependence on the local workforce to find the people they need. Offering remote work is also a nice perk that attracts more applicants without costing more. It can save on office space and overhead costs, too.

Benefits aside, employers have little choice. The job market is so tight. The unemployment rate is the lowest since 1969.

For folks out of work less than six months, the rate is the lowest since the Korean War, a measure of how quickly people with useful skills are being snapped up. Employers who can’t or won’t hire remote workers will lose out to their rivals who can and do.

Still, there are pitfalls that come with a remote workforce. Folks who work from their homes need to be self-motivated so that they don’t get distracted. Even then, they can become isolated from the on-site workers, making it vital for both managers and the teleworkers themselves to stay in the loop. IT support can be a headache.

People who work in the office can grow resentful of remote colleagues if they suspect that the latter aren't pulling their weight. Keeping everyone on the same page is hard.

Remote work isn’t an issue just for employers. It affects real estate markets, as more people relocate while taking their jobs with them. One factor driving telework is the opportunity for employees in areas with high living costs or terrible commutes to move somewhere cheaper or nicer. Areas that are especially at risk of losing workers who aren’t physically tied to jobs include New York City, Washington, D.C. and Calif.

Telecommuting workers tend to gravitate to smaller cities and the suburbs, not rural areas. That might mean a city such as Boise, Idaho...cheaper than locales on the West Coast, but still offering plenty of amenities and services close to home.

Note that some states and cities are actively trying to attract teleworkers. Vt., for instance, will pay out-of-staters who work remotely to move in. Tulsa Remote pays teleworkers to relocate to Tulsa, Okla. So does a similar program in northwest Ala. Expect such offers to spread...educated, well-paid folks are assets to local economies.
A revised North American free-trade pact is inching toward the finish line. Democrats still want to strengthen parts of the agreement dealing with labor, the environment, drug pricing and more. The White House remains open to changes...

But talk of reaching a handshake deal by Thanksgiving is just that: Talk. Top Democratic negotiators say the two sides still have a lot of ground to cover. Plus, Mexico is weighing in, saying it must approve any changes made by Congress to the United States-Mexico-Canada Agreement, or USMCA.

The North American Free Trade Agreement has a massive economic impact. It facilitates over $1 trillion in trade annually between the U.S., Mexico and Canada. It’s politically important, too. Of the 80 congressional districts that rely most on trade with Canada and Mexico, Republicans represent 59; Democrats, 21. Democrats captured four of their districts from Republicans during the 2018 midterm elections. And President Trump has staked a lot of his political legacy on striking trade deals.

Impeachment drama gives both parties an incentive to play ball on USMCA, to prove they can still get things done amid investigations and partisan bickering.

If Congress can’t ratify the new trade agreement, NAFTA remains in effect, as long as Trump doesn’t pull the plug on it...unlikely as the 2020 race looms. But the suspense will continue to hurt the U.S. economy. One estimate shows trade policy uncertainty lowering U.S. capital spending by about $100 billion.

Global trade grew only 1% in 2019’s first half, the slowest pace since 2012. Trade volumes in goods dropped 1.4% in June...the worst decline in a decade.

China’s economy continues to cool off. GDP growth in the third quarter edged down to 6%, versus 6.2% in the second quarter. The current pace of growth is the slowest in nearly three decades. Still, even with the slowdown this year, China’s economy will expand 6.2% in 2019, meeting Beijing’s target of 6% to 6.5%.

But there are some notable bright spots amid China’s mixed economic data. Industrial production and home sales rose, while retail sales held up in Sept. Infrastructure investment is recovering. Banks are also getting more leeway to lend.

South Korea’s continued woes signal further trouble for the global economy. Seoul serves as a barometer for global trade because it relies so heavily on exports. The country is poised for an 11th consecutive monthly drop in exports. Key culprits: China’s economic slowdown and flagging demand for tech products. Exports from the world’s 12th-largest economy are down 20% from this time last year. Semiconductor sales, the largest share of South Korean exports, are down 29%. GDP growth of 1.9% is expected in 2019, the slowest pace since the Great Recession.

Seoul isn’t the only major exporter having a rough time. Japan’s exports have declined for 10 straight months, and shrinking exports are hurting Germany.

There are still plenty of smart ways for income investors to reach for yield, say the editors of Kiplinger’s Personal Finance magazine. With bank rates and bond yields collapsing again, investors are embracing unconventional picks priced to yield 6%, 8% or even 10%. Such juicy yields don’t have to carry high risk, but finding them requires scouring disclosures. The best ideas are in arcane areas such as commercial mortgage-backed securities and nonbank business lending.

Three stocks to check out, all with consumer-focused, U.S.-centric strategies: Apollo Investment, whose shares have gained about 40% this year. Despite the gain, it still looks like a good deal. Ares Capital, which has a 27% return in 2019. The company, which pursues credit, private equity and real estate activities, has a high-quality and high-yielding debt portfolio. And Compass Diversified Holdings, which owns businesses rather than lending to them. Its yield remains robust.
The Consumer Financial Protection Bureau will soon get its day in court: The Supreme Court, that is. The High Court has agreed to hear a case on whether the independent financial watchdog...created in the aftermath of the Great Recession with the 2010 Dodd-Frank reform law...is constitutional. At issue is the president’s ability to remove the agency’s director at will. Federal law allows the president to fire the CFPB director only for a specific cause. Critics say it makes the agency too powerful, since most executive branch officials serve at the pleasure of the president and can be dismissed at virtually any time. The exception: Agencies run by multiperson boards, rather than an individual, such as the Federal Election Comm. and the Securities and Exchange Comm. Odds are the Court’s conservative majority rules CFPB unconstitutional. The question is whether it will eliminate the agency, or simply defang it by making the CFPB less independent and more accountable to the president.

The recent death of Rep. Elijah Cummings (D-MD) leaves big shoes to fill. This includes Cummings’s chairmanship of the House Oversight Committee, one of Congress’s most powerful panels and a key player in the impeachment inquiry of President Trump. Several Democrats are vying to be the committee’s next leader. Rep. Carolyn Maloney (D-NY) is next in seniority. But she’s no shoo-in. Other candidates include Reps. William Lacy Clay (D-MO) and Stephen Lynch (D-MA), plus Eleanor Holmes Norton (D), the District of Columbia’s nonvoting delegate. Another: Gerry Connolly (D-VA), who chairs one of Oversight’s subcommittees. Control of Oversight means immense power over the impeachment inquiry. It’s one of three House committees playing a major investigatory role in the probe.

Remember Pete Buttigieg, even if you can’t remember how to say his name. The mayor of South Bend, Ind., has made waves in the Democratic primary, rising in the polls and raking in an impressive amount of campaign cash. His name, pronounced boot-edge-edge, has also helped him stand out in a crowded primary field. He’s raised much more money than front-runner Joe Biden...$51.5 million, to Biden’s $37.8 million...and ranks third among the candidates in overall fund-raising. Plus recent polling shows Buttigieg within striking distance of Biden in Iowa, where a win could transform the mayor overnight into a serious presidential contender. While still a long shot to win the party’s nomination for president in 2020... He looks set for a long career in national politics. He’s still young (37), and many voters are keen on his congenial Midwestern demeanor and his policy chops.

A growing number of Americans say they won’t participate in the census next year, according to recent polling. Among those most likely to say they’ll skip out: Young adults, 18 to 29 years old (34%). African-Americans (26%). Folks with a family income of less than $30,000 (24%). And Hispanics (21%). The Census Bureau is concerned about undercounting the population in these demographic groups, a problem with black and Hispanic adults especially. That’s key, since the census is used to apportion federal money and seats in Congress. Still, the vast majority will fill out a census form. Seniors...age 65 or older... are the most likely to say they’ll do so (97%), compared with 84% of Americans overall.

Medicaid enrollment has flatlined, largely thanks to the strong economy. Yet Medicaid spending continues to rise. Higher prescription drug costs, provider rate increases and care for elderly and disabled adults are reasons why. Medicaid spending will grow by 6% in FY 2020. Enrollment: Less than 1%. The federal low-income health program covers roughly 20% of Americans and accounts for one in six dollars spent on health care in the U.S. each year.
British Prime Minister Boris Johnson’s Brexit deal is still stuck in limbo. The Oct. 31 deadline will be extended in coming days, after Johnson’s plan to take Britain out of the European Union couldn’t muster consensus in Parliament. The length of the extension will determine Johnson’s next steps. The EU could grant a short “technical” extension of a few weeks. Three months...more probable. A longer extension would likely mean a general election before the year ends.

The Cotton Belt is seeing its fair share of trade and weather woes this year, like many other key agricultural areas. The ongoing trade war with China has hit cotton as hard as any commodity, dampening prices and cutting exports to China...once the largest market for U.S. cotton...in half. Meanwhile, large swaths of the region have seen abnormally dry conditions, and in some cases, drought.

Despite this, forecasters still expect the largest cotton crop in over a decade, at 21.7 million bales, up from 18.4 million bales last year, and the largest number since 2005’s 23.9 million. One caveat: Drought conditions this year in West Texas could shave as much as 1 million bales off the Agriculture Dept.’s cotton forecast.

Exports are also on pace to reach a near-record high of 16.5 million bales in the 2019-20 marketing year, behind 17.7 million bales in 2005-06. While exports to China are down, other markets, such as Pakistan and Vietnam (the top importer of U.S. cotton in the world), are picking up the slack. That’s good news, since roughly 80% of U.S. cotton is exported, making up 40% of the world’s total.

More front doors in your neighborhood will soon sport video doorbells as more homeowners and renters seek the security of 24/7 surveillance. The small cameras are connected to Wi-Fi, and users can tap into live HD video from anywhere. The latest devices feature a wider field of view, vivid night vision and prerecorded messages for visitors. A big selling point: Spotting package thieves.

In fact, sales of web-connected cameras of all types are going gangbusters. Global unit sales of cameras to consumers will surge by 20% yearly through 2023. That year, total revenue is projected to hit nearly $13 billion, much of it in the U.S.

Video doorbell vendors include Ring, Skybell, Google, Vivint, Eufy, Zmodo. Many models cost over $100. Users can see more archived video for a monthly fee.

Strong sales of smart-home cameras will spur sales of other smart devices for the home, since cameras are often the entry point to a more-connected residence. Global consumer spending on smart-home hardware, services and installation will zip past $100 billion this year, and see double-digit growth rates through 2023.

Expect a growing crop of installers and troubleshooters for smart homes... local firms that focus on wiring energy monitors, setting up voice-activated speakers or programming connected lighting. More-complex systems will require expertise.

For the most part, consumers will continue to shrug off privacy concerns. But that doesn’t mean vendors are ignoring the problem. The marketplace has become much more competitive, with improving hardware and declining prices. Sellers that protect consumer data and have transparent policies will have an edge.

Yours very truly,

THE KIPLINGER WASHINGTON EDITORS

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