

Weekly Wire

We're Not Getting Any Younger...

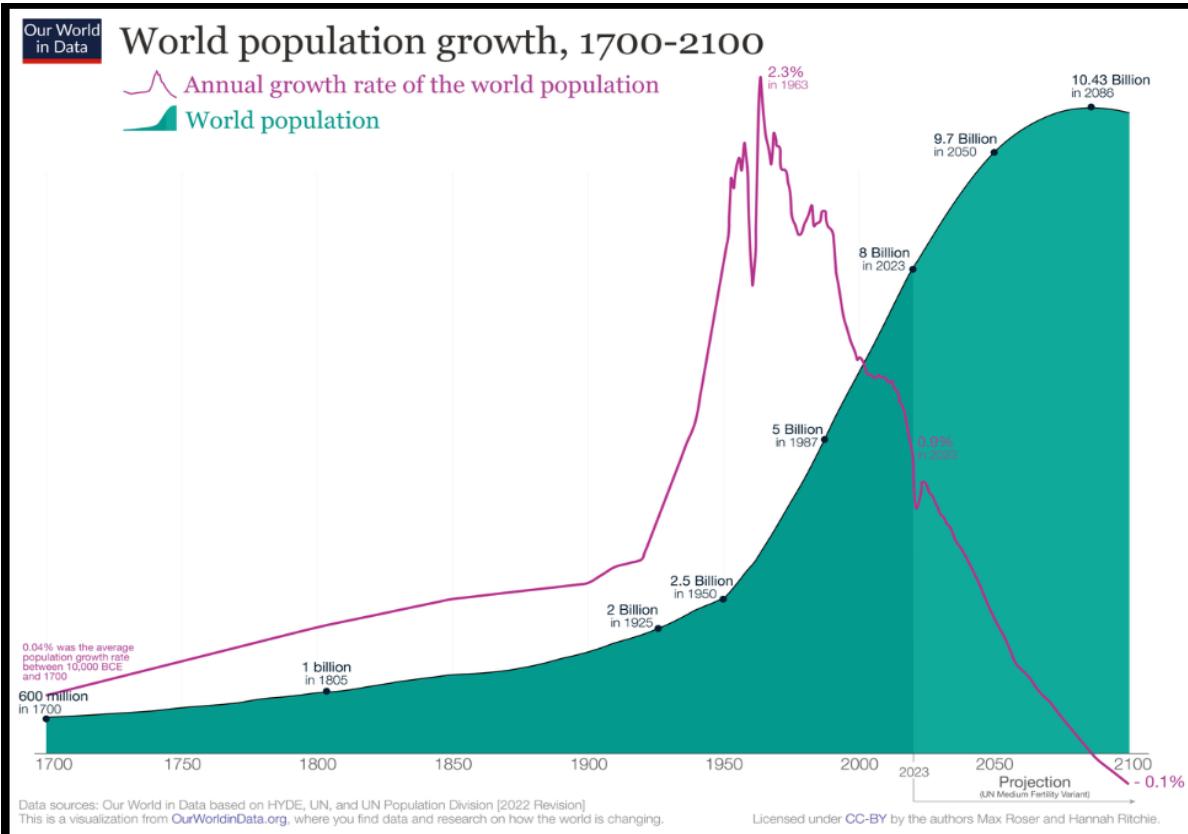
By Tim Holland, CFA

- Last week's note calling out the strong year-to-date performance of traditional fixed income sparked an email exchange with a thoughtful and perceptive advisor who wondered if – despite the positive 2025 returns – bonds weren't in a long-term bear market. Considering that over the past five years the iShares Core US Aggregate Bond ETF has produced an average annual return of negative 0.30% it was a very reasonable question. The exchange also got us thinking about what bonds might have going for and against them, which got us thinking about inflation, interest rates and budget deficits, as well as demographics.
- You see, we're not getting any younger...according to the International Monetary Fund, the average age of the global population is 33.6 years. So, while the world's population is larger than ever, it's also, due to falling birthrates and rising life expectancies, older than ever. And we will likely see the world's population peak this century, an inflection point that could have enormous implications for the economy and markets (see chart). Which brings us back to demographics and bonds.
- We have heard bear and bull cases for an aging population and fixed income. A pillar of the bearish case ties back to the labor force...more retirees and fewer workers means higher wages which will feed inflation, pushing bond yields up and bond prices down. A pillar of the bullish case ties back to demand for income...retirees will need consistent cashflows, driving demand for bonds – and bond prices – higher and yields lower. Both arguments are plausible.
- We wonder how an aging and peaking population will impact the economy and markets over the coming decades (and we hope to be around to find out!). For now, though inflation has proven sticky, we think bonds will remain on the front foot into 2026, with a rate cutting Fed a big reason why. Finally, if there is any interest in digging deeper into demographics, two books on the topic that we can highly recommend are "Empty Planet" and "The Great Demographic Reversal."

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Looking Back to Last Week

Markets finished modestly higher, led by technology as the NASDAQ 100 and emerging markets outperformed. The Federal Reserve officially ended quantitative tightening on December 1, removing a key source of monetary restraint and adding support to risk assets. The entertainment sector saw a major headline with Netflix announcing plans to acquire Warner Bros.

Global equities gained just over 0.5% and are up 23% this year. A weaker US dollar helped international stocks, and emerging markets continue to lead US large caps by about 14% YTD. Rate cut expectations pushed short term yields lower and long-term yields higher, which pressured fixed income. After the first week of December, balanced portfolios remain on track for a strong year.

ADP employment data disappointed with a loss of 32,000 jobs in November versus expectations for a 40,000 gain, marking the first 3 month decline since 2020. The yield curve steepened, with the 10-year yield rising 12 bps.

Economic data sent mixed signals. ISM Manufacturing fell to 48.2, showing ongoing contraction, while ISM Services rose to 52.6. PCE data showed healthy income and spending growth in September, but inflation adjusted spending was flat. FactSet reported that Q4 earnings growth is expected at 7.7%.

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Looking Ahead to This Week

The Federal Reserve will dominate this week's market headlines with the FOMC set to announce its rate decision on Wednesday. Markets are pricing an 87% chance of a 25 bps cut. JOLTS data arrives on Tuesday and will help gauge labor demand after last week's weak ADP report.

It is otherwise a light data week. Investors will be focused on the Fed's tone, the path of additional cuts, and how the committee interprets recent softening in labor and the mixed signals from manufacturing and services.

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Stocks, Bonds, Alternatives, & Real Assets as of December 5, 2025

Security Name	Risk Score	1 Week	1 Month	QTD	YTD	1 Year	3 Year Ann.
Global Equities (60% US, 40% Intl)	100	0.57%	1.61%	2.92%	22.88%	18.48%	19.20%
S&P 500 Total Return	102	0.35%	1.24%	2.95%	18.22%	14.57%	21.52%
Dow Jones Industrial Average	97	0.62%	1.64%	3.72%	14.58%	8.97%	14.35%
NASDAQ 100 Total Return	122	1.03%	0.38%	4.23%	23.10%	20.79%	30.69%
TV Benchmark	107	0.67%	1.08%	3.63%	18.64%	14.78%	22.19%
Morningstar US Large Cap	102	0.35%	1.00%	3.41%	20.24%	17.07%	24.18%
Morningstar US Mid Cap	113	0.36%	1.63%	0.40%	10.57%	3.83%	12.81%
Morningstar US Small Cap	125	0.81%	3.79%	3.56%	12.68%	5.29%	13.10%
Morningstar US Value	98	0.06%	3.39%	3.17%	16.14%	10.53%	13.26%
Morningstar US Growth	126	0.68%	-0.34%	-0.31%	15.51%	8.87%	22.95%
MSCI ACWI Ex USA	98	0.95%	2.01%	3.00%	30.44%	25.69%	16.27%
MSCI EAFE	101	0.77%	2.34%	2.62%	29.02%	23.82%	16.23%
MSCI EM	98	1.43%	0.33%	3.16%	32.27%	29.30%	15.37%
Bloomberg US Agg Bond Index	27	-0.48%	0.46%	0.76%	6.94%	4.94%	4.19%
Bloomberg High Yield Corp Bond Index	41	0.12%	0.95%	0.86%	8.14%	7.34%	9.42%
Bloomberg Commodity Index	70	1.52%	4.52%	7.80%	17.91%	19.95%	5.22%
Wilshire Liquid Alternative Index	25	0.08%	0.73%	1.20%	6.95%	4.12%	5.49%
MSCI US REIT	104	-1.64%	0.37%	-0.98%	3.69%	-1.58%	7.62%
US Dollar	10	-0.61%	-1.23%	1.24%	-8.75%	-6.90%	-1.80%
Bloomberg US Treasury Bill 1-3mo	1	0.09%	0.36%	0.76%	4.03%	4.37%	4.93%

Source: Morningstar.

The TV Benchmark represents an average of the S&P 500, Dow Jones IA, and NASDAQ 100 return indexes

The Orion Risk Score represents risk relative to the global equity market.

Interest Rates as of December 5, 2025

Rate	This Week	1 Week
13-Wk Treasury Yield	3.60%	-0.10%
10-Yr Treasury Yield	4.14%	0.12%
Bloomberg US Agg Yield	4.36%	0.07%
Avg Money Mkt Yield	3.79%	0.03%
Avg 30-Yr Mortgage Rate	6.27%	-0.06%

Sources: Yahoo Finance, S&P Global, Crane Data, BankRate

Key Economic Data Last Week

Data Point	Expectation	Actual
ISM Manufacturing PMI	48.8	48.2
ADP Employment	-32,000	40,000
ISM Services PMI	52.5	52.6
Consumer Credit	\$10.5B	\$9.2B
Personal Consumption Expenditures (PCE) YoY	2.9%	2.8%
Core PCE YoY	2.8%	2.8%

Source: MarketWatch, First Trust

Key Economic Data This Week

Data Point	Expectation	Release Date
Job Openings (October)	7.2M	12/9/25
Federal Reserve Interest Rate Decision	25bp Cut	12/10/25
U.S. Trade Deficit	-\$61.6B	12/11/25

Source: MarketWatch



We hope you have a great week. If there's anything we can do to help you, please feel free to reach out to ben.vaske@orion.com or opsresearch@orion.com.

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