

# 2025 Volatility Review

## *All About the Tariff Tantrum*

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*All data included in this presentation was retrieved from cited sources on January 16, 2026.*

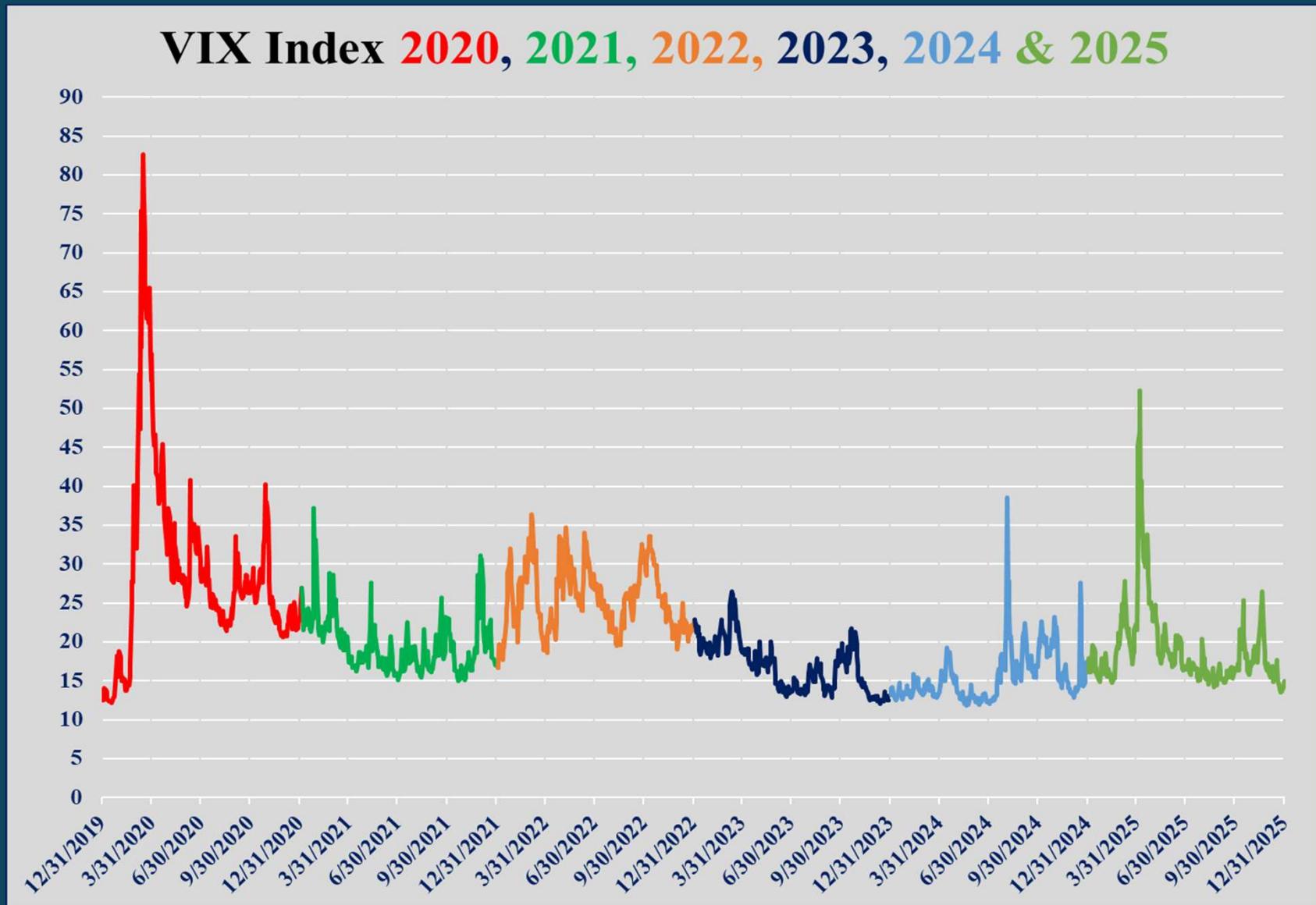
# 2025 Highlights

- The sharp volatility spike in August 2024 was eclipsed by a more violent reaction to the “Tariff Tantrum” in April 2025
- That was followed by a steep decline in volatility as equity markets rallied
- October and November saw two brief and smaller volatility “tantrums”
- The average level of volatility was relatively low but ranges were the largest since the COVID crash in 2020

# Implied Volatility

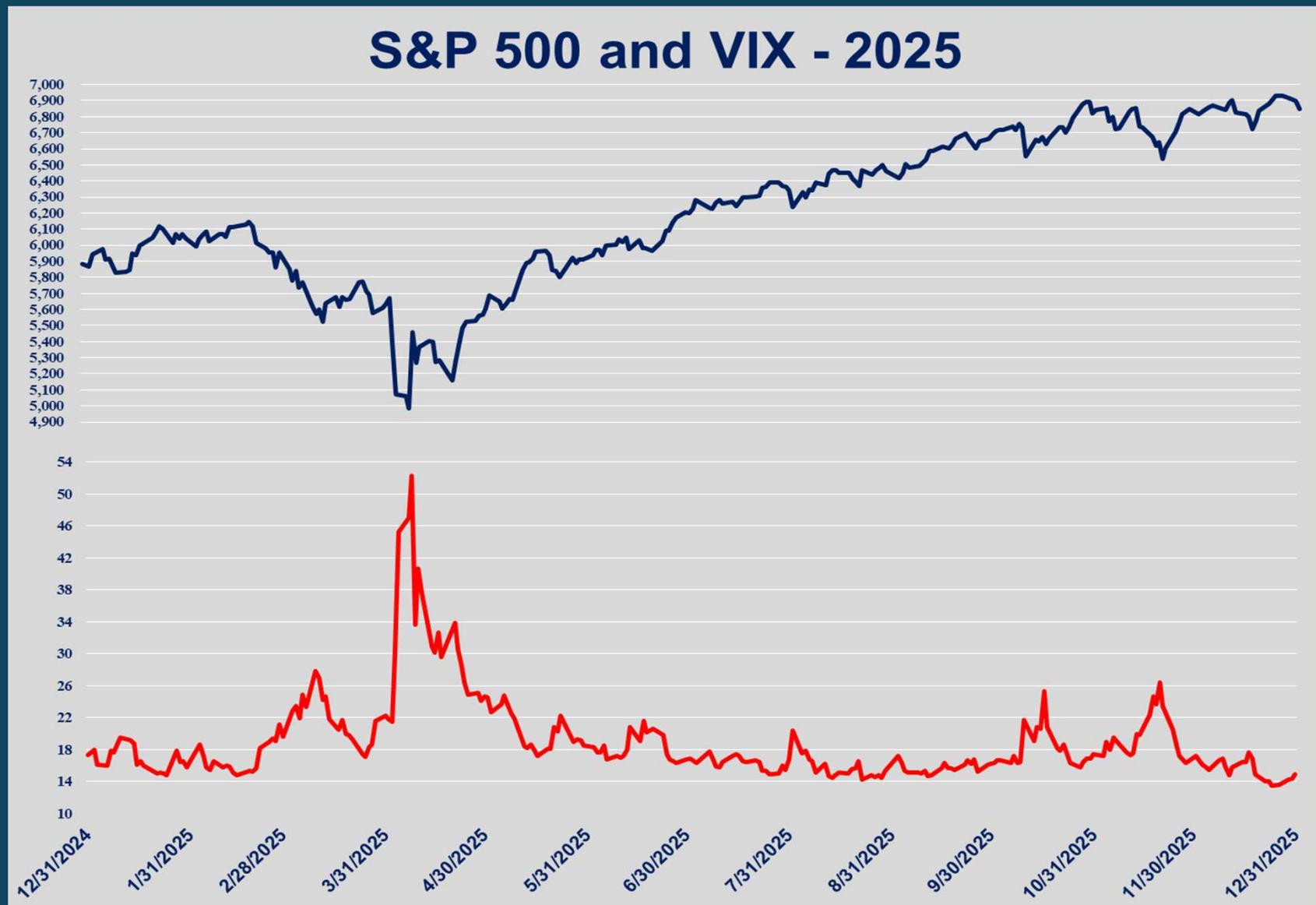
- Forward looking estimates of equity market volatility
- Benchmark is the CBOE Volatility Index (VIX)
- CBOE also provides 9-day, 3-month, 6-month and 1-year volatility indices
- Nations Indexes offers at-the-money implied volatility (VOLI) and “crash protection” (TDEX) as part of their analytical toolbox

# 2025 volatility (VIX) peaked at a level not seen since 2020 thanks to April's "Tariff Tantrum"



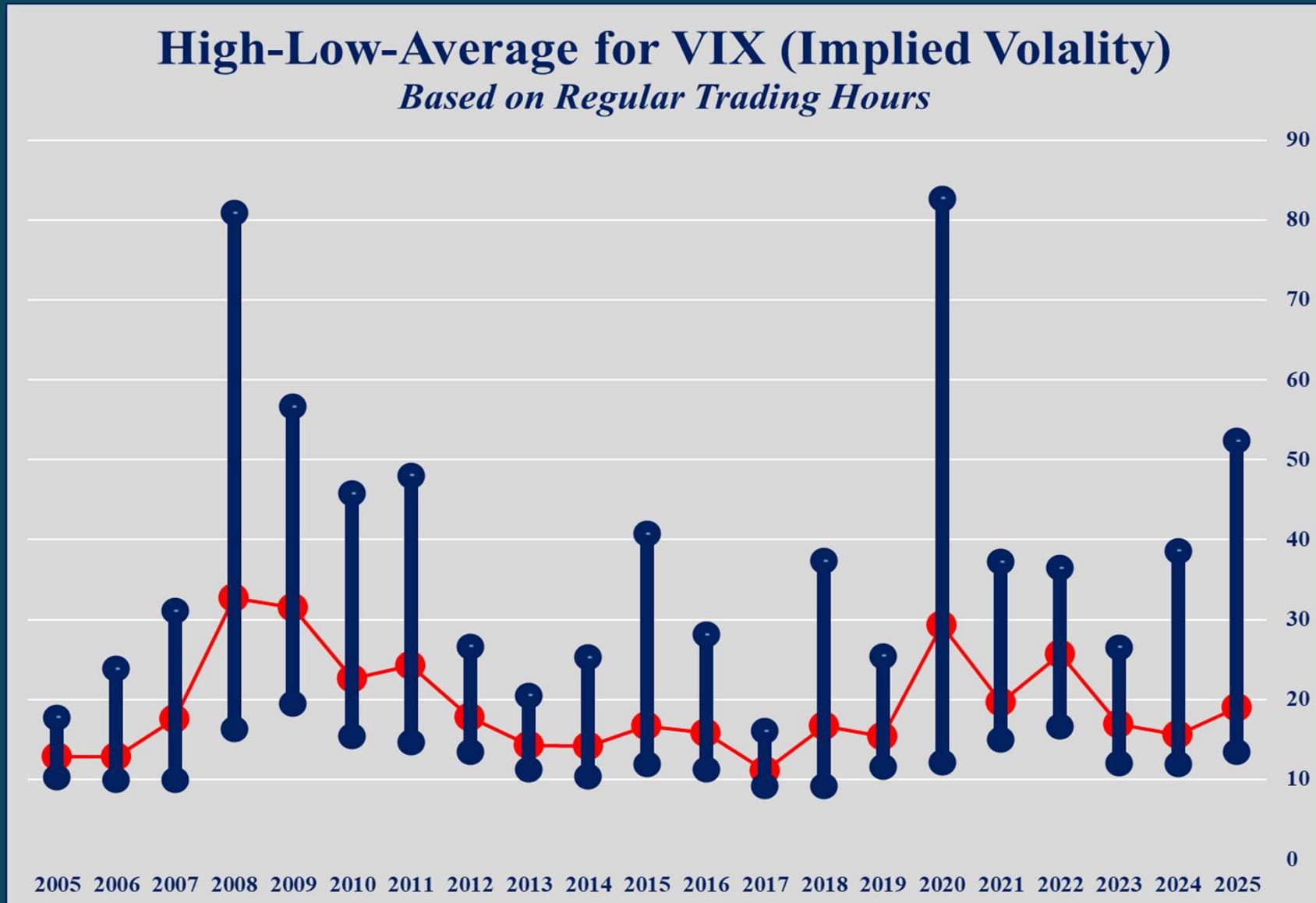
- Data source: Yahoo Finance (data through 12/31/2025)

While late Feb and April were the big jolts, note smaller “episodes” in October and November



- Data source: Yahoo Finance (data through 12/31/2025)

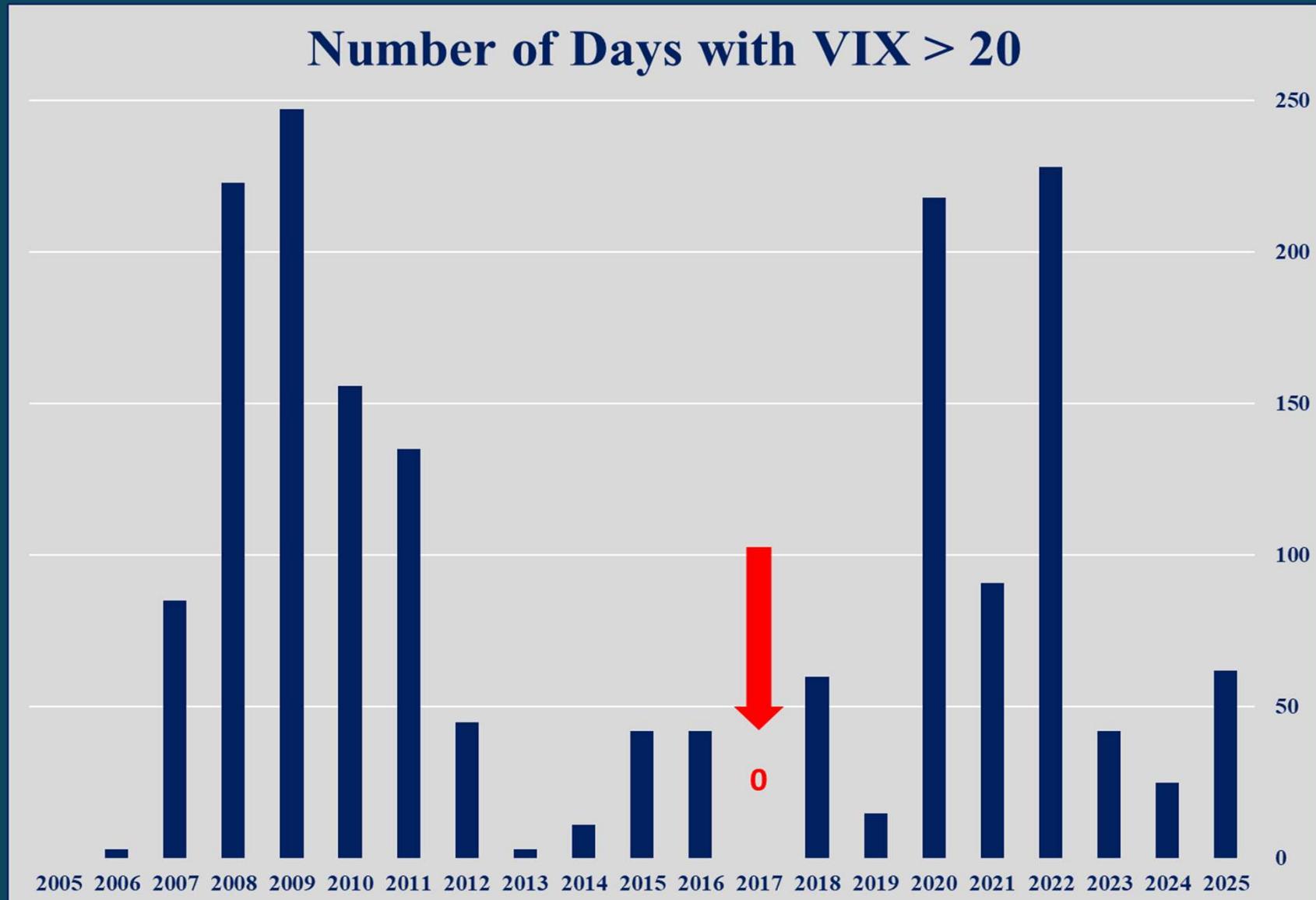
# VIX moved in the widest range since 2020 with an average level just below 20



- Data source: Yahoo Finance and CBOE (data through 12/31/2025)

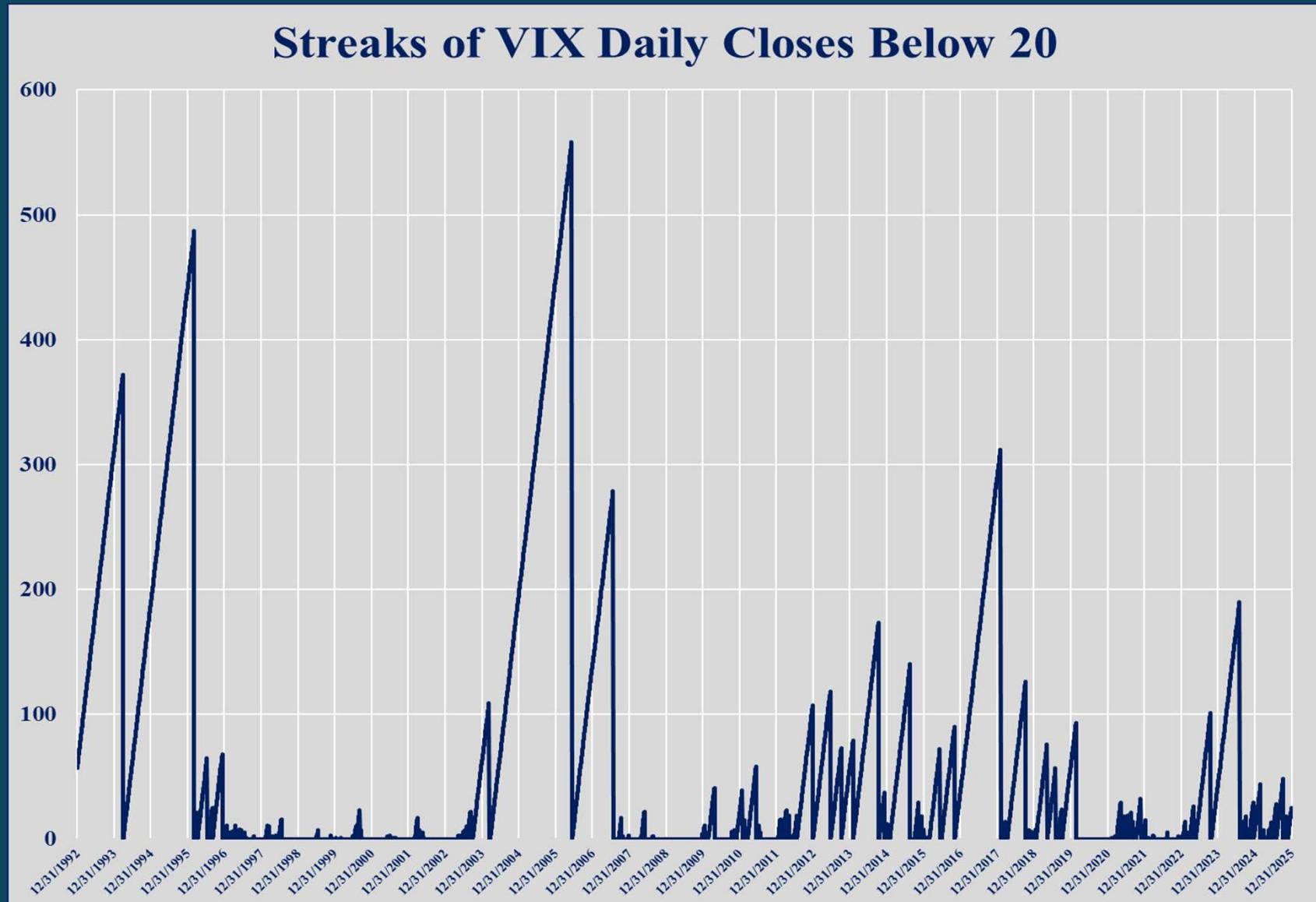
# VIX Closed > 20 ~ 25% of trading days in 2025

( $Vix = 20$  implies an expected daily move of 1.25% for the S&P 500 index)



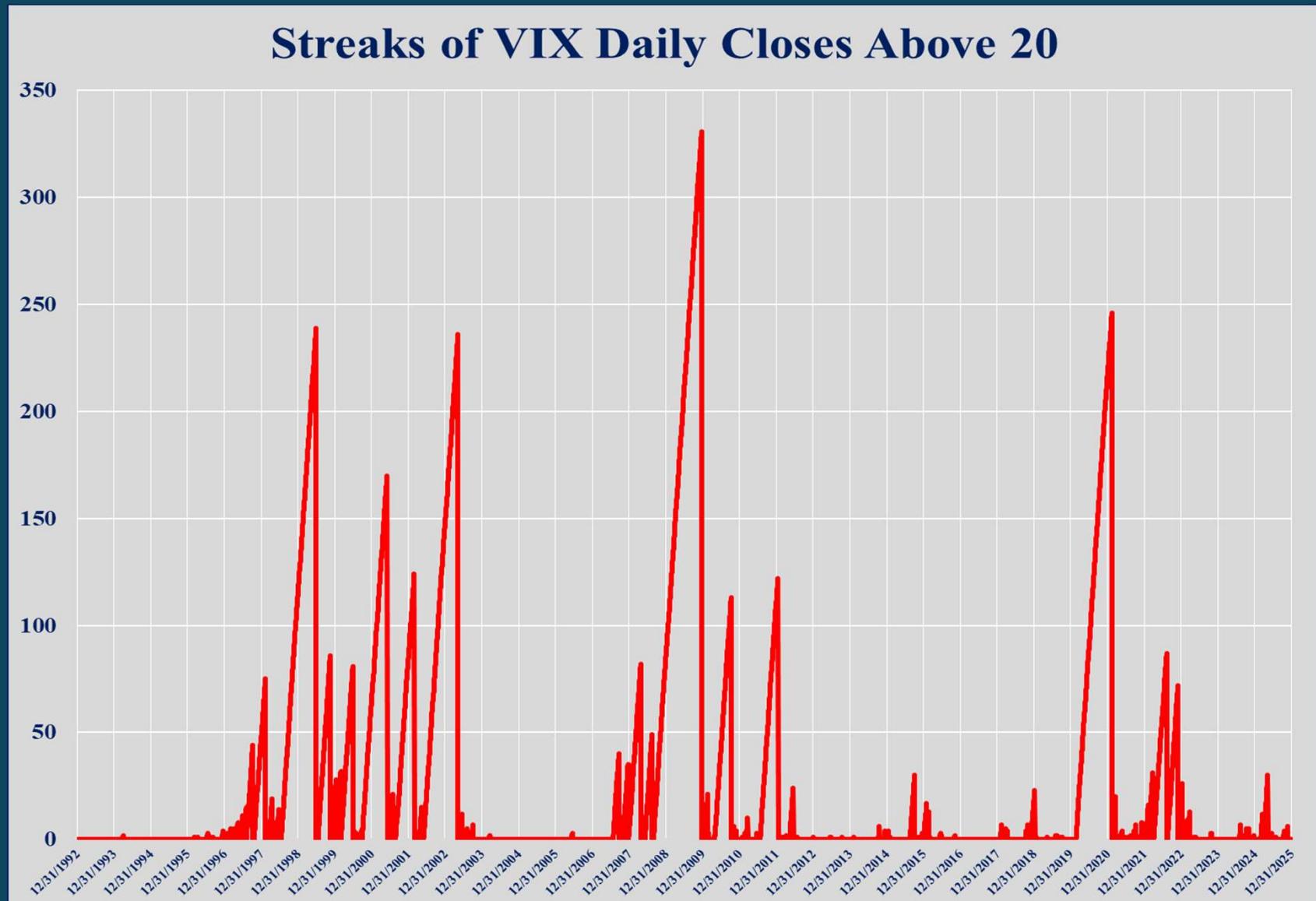
- Data source: Yahoo Finance and CBOE (data through 12/31/2025)

# The last significant streak of consecutive VIX closes below 20 ended with August 2024 spike



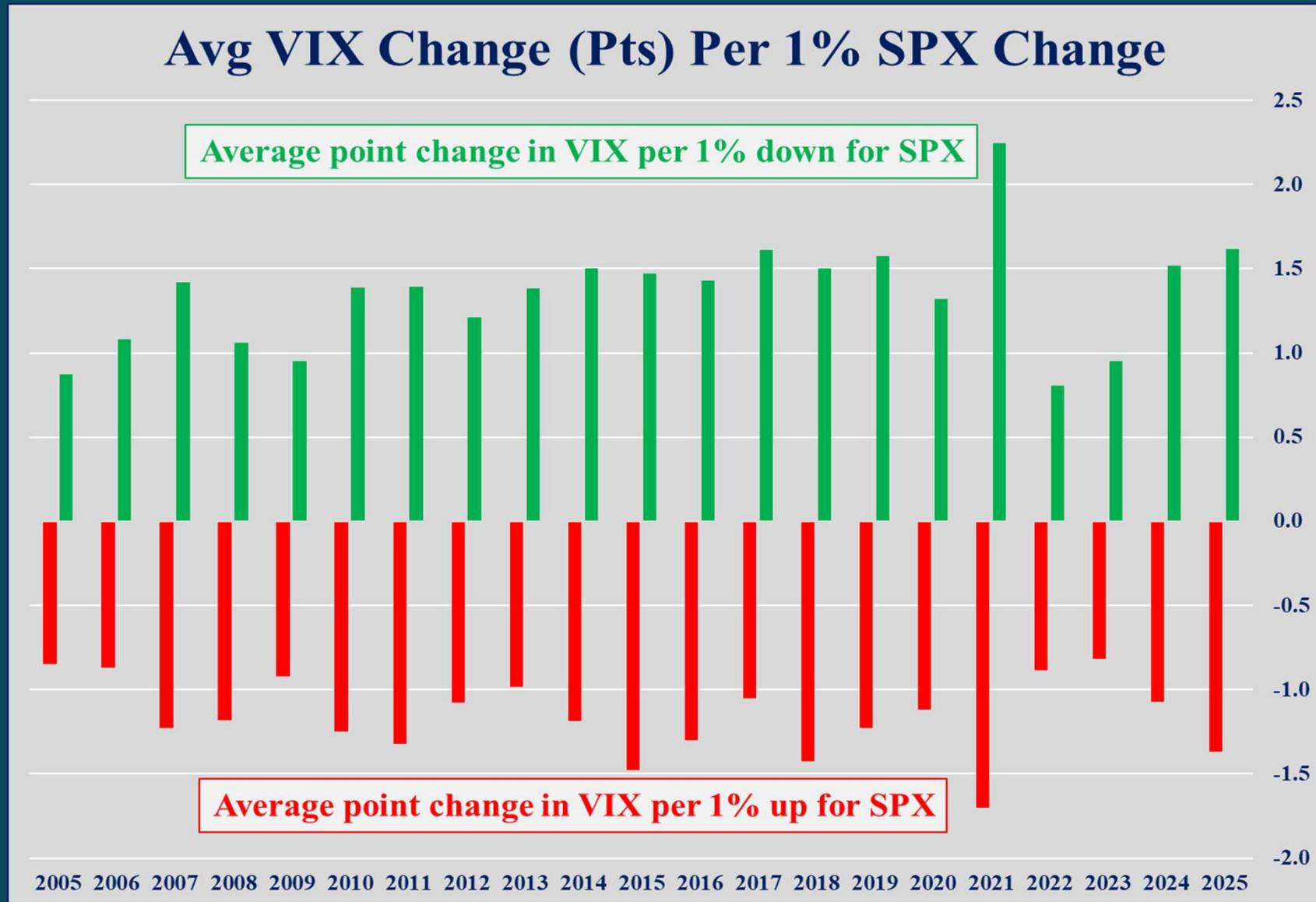
- Source: Yahoo Finance and CBOE (data through 12/31/2025)

# But even with the Tariff Tantrum, VIX closed above 20 only thirty days in a row during 2025



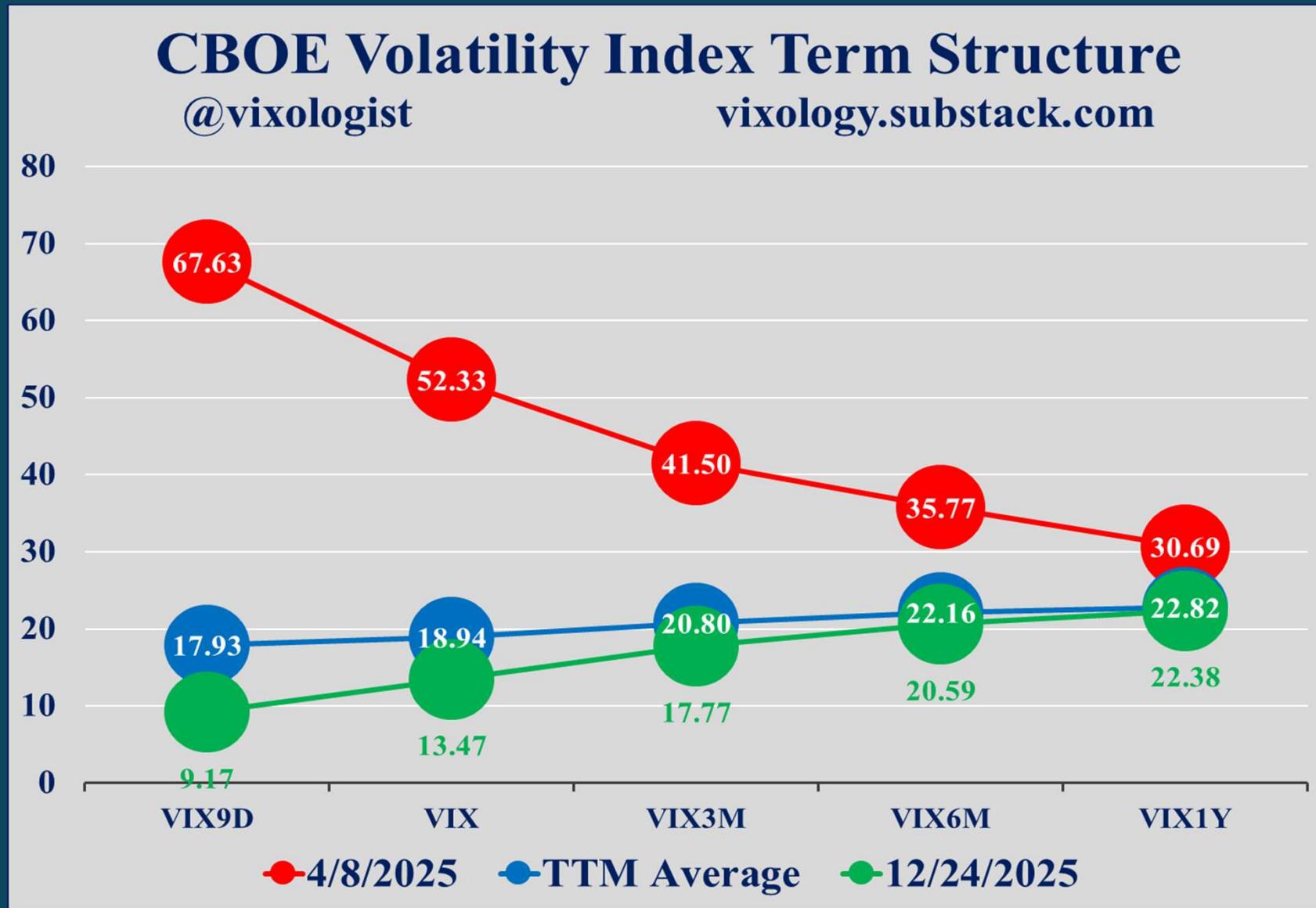
- Source: Yahoo Finance and CBOE (data through 12/31/2025)

# VIX response to changes in SPX increased in both directions – continuing a recent trend



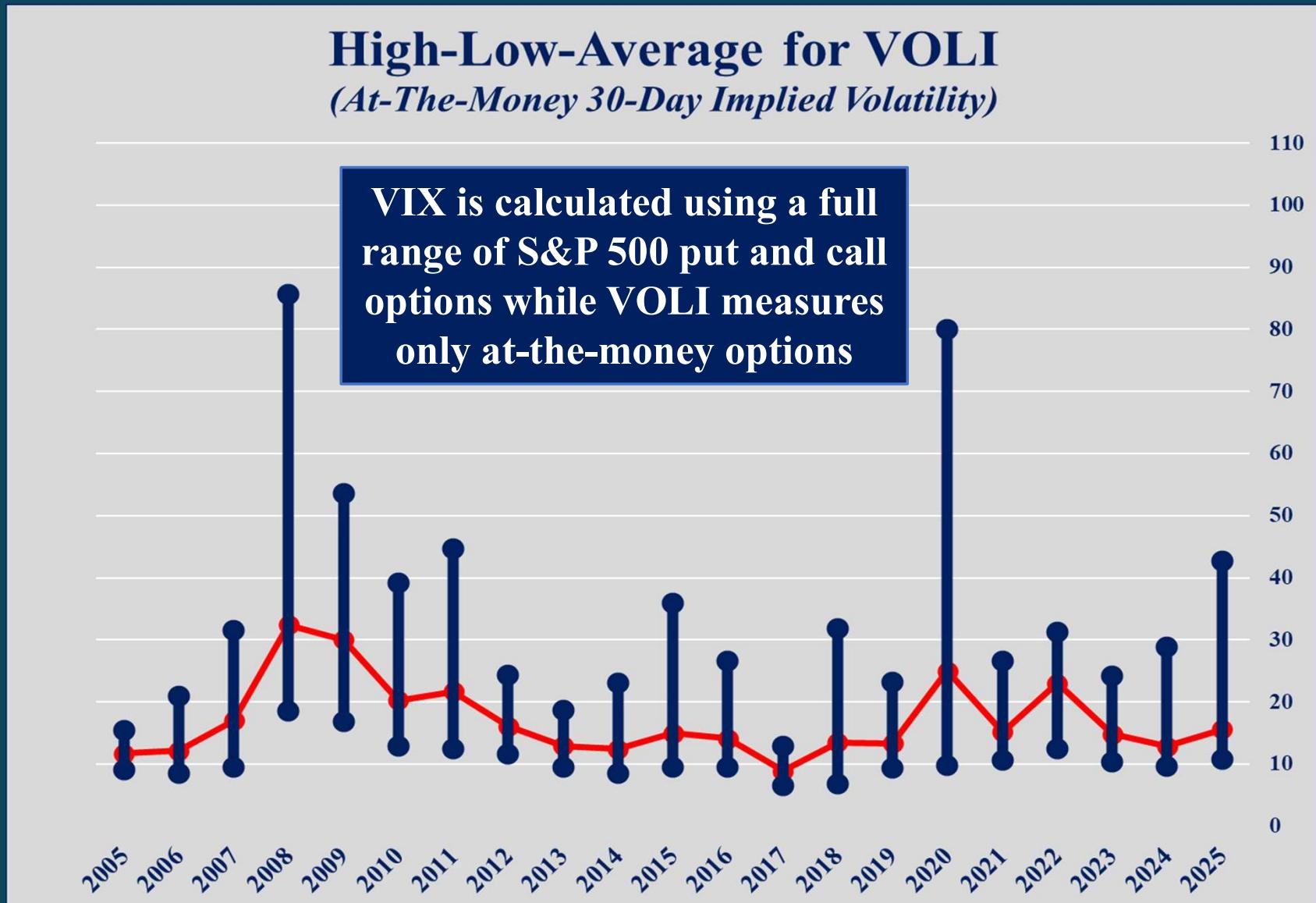
- Source: Yahoo Finance and CBOE

# The Tariff Tantrum produced an ugly term structure but we finished the year at the lows



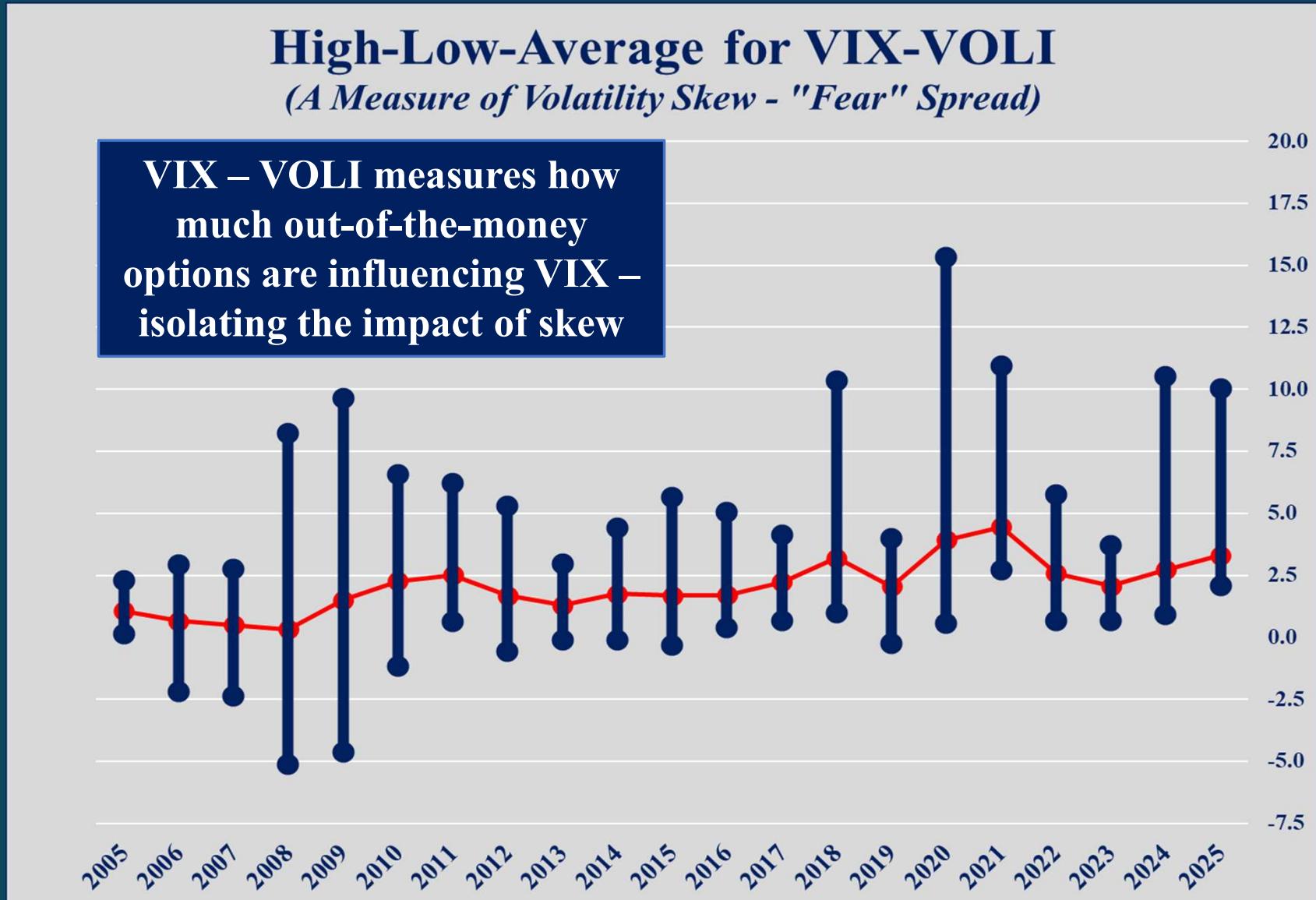
- Data source: Yahoo Finance and CBOE (data through 12/31/2025)

# VOLI (at-the-money IV) saw a modestly higher average and wider range compared to 2024



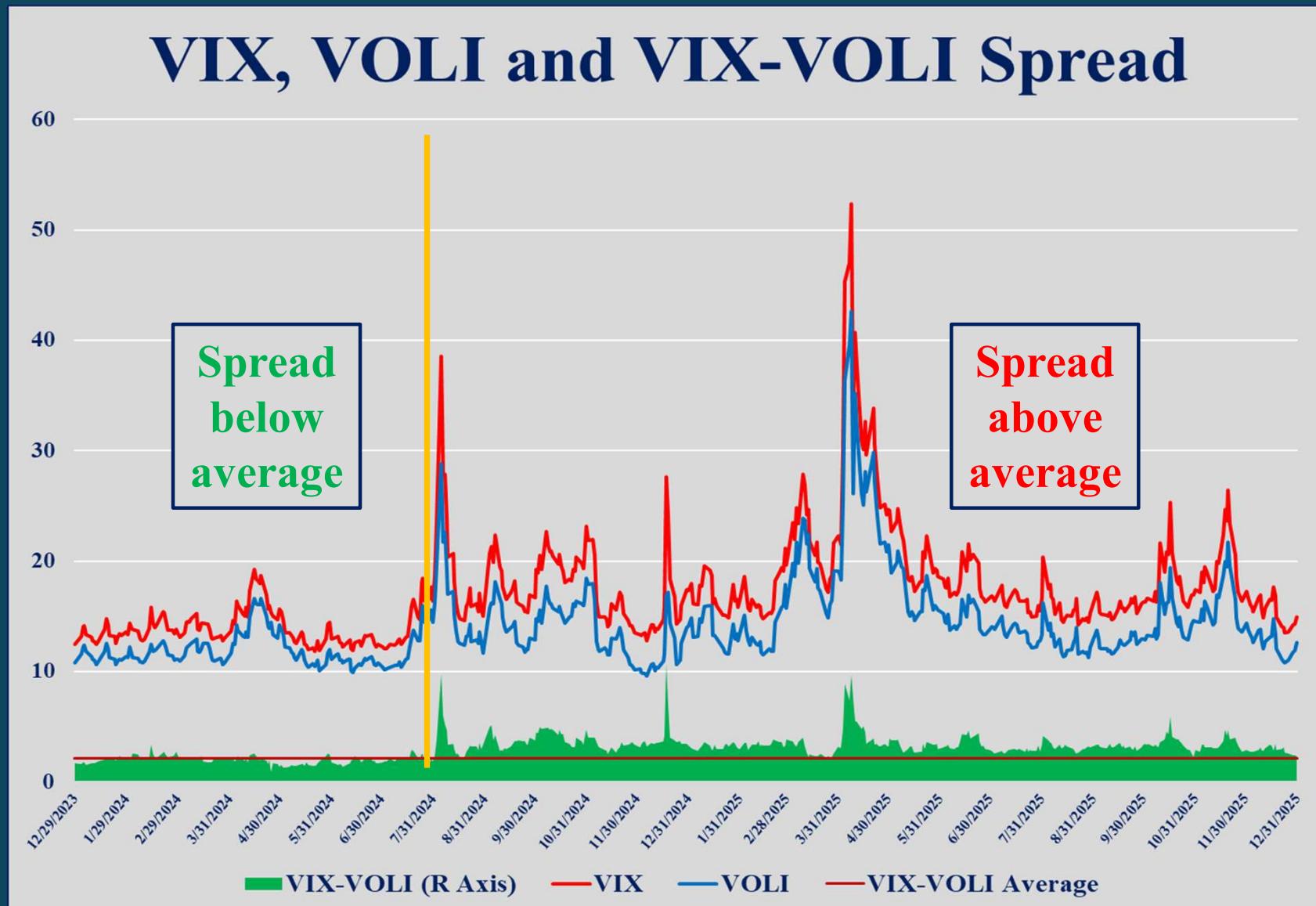
- Source: Nations Indexes

# VIX minus VOLI (Fear Spread) saw a higher average though the range narrowed



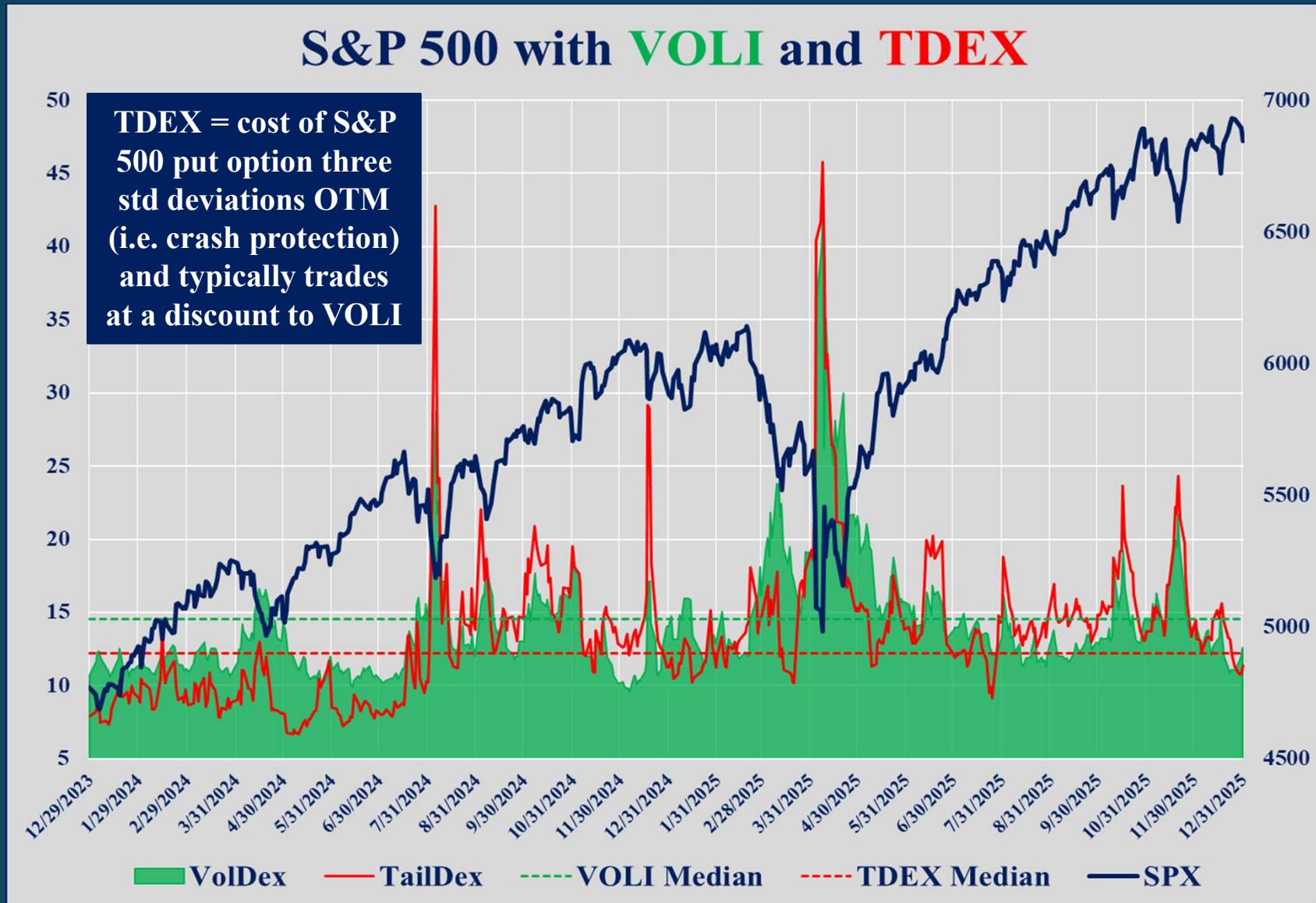
- Source: Nations Indexes and CBOE (data through 12/31/2025)

This Fear Spread widened in 2024 and was been stubbornly above average in 2025



- Data Source: Nations Indexes, Yahoo Finance and CBOE (data through 12/31/2025)

# VOLI and TDEX spiked in August 2024 and have been agitated ever since

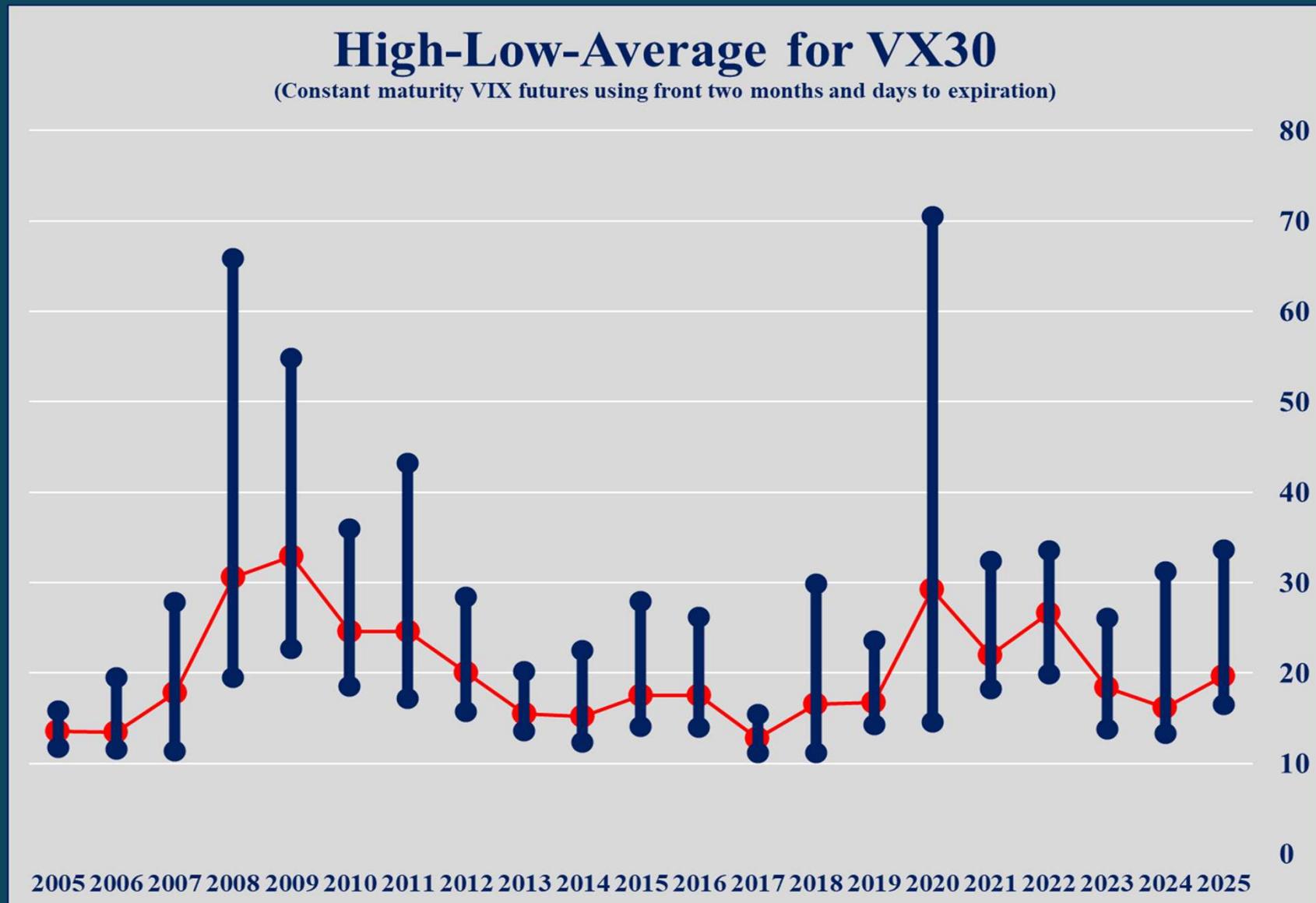


- Source: Nations Indexes, Yahoo Finance (data through 12/31/2025)

# VIX Futures

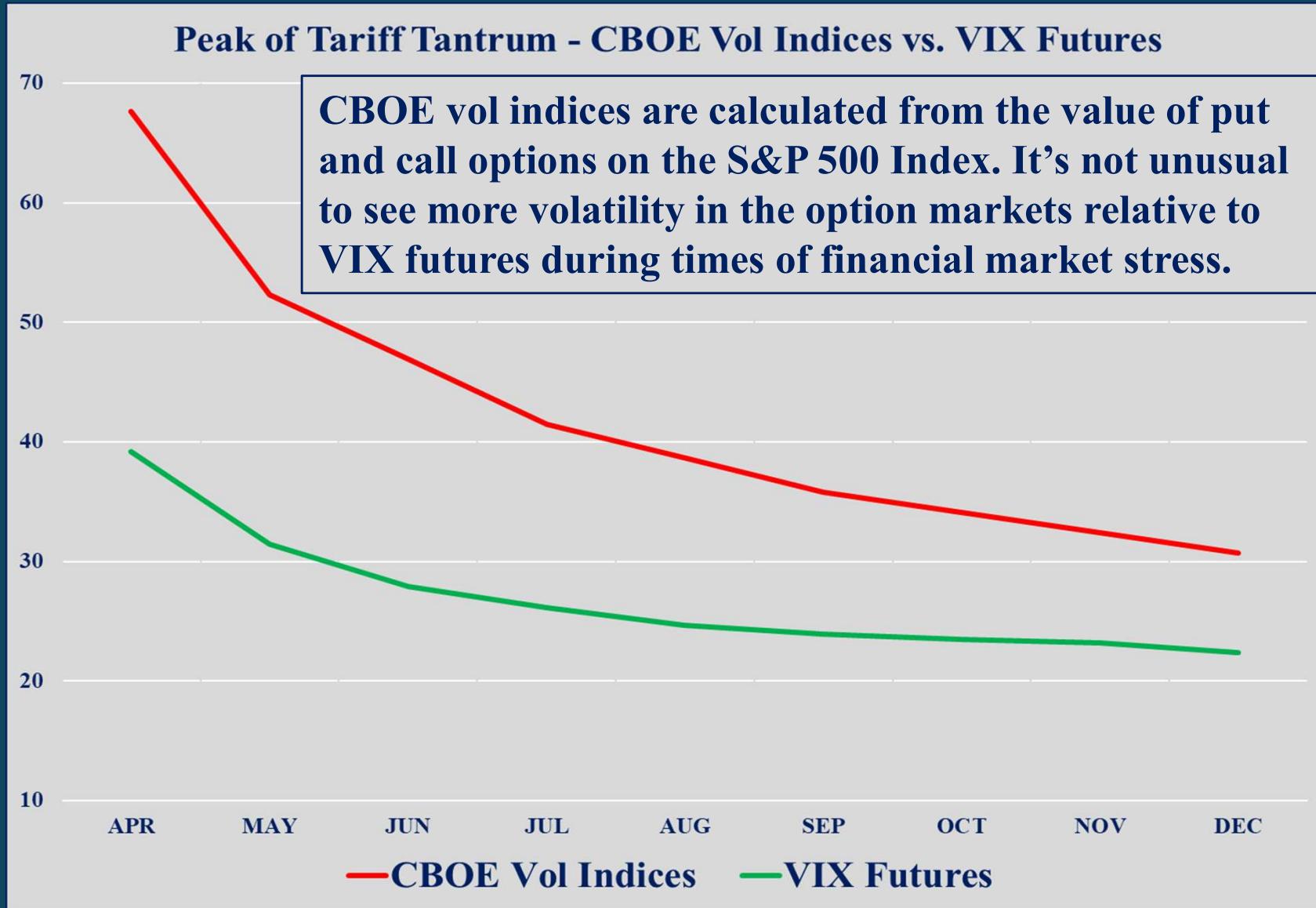
- Unlike the volatility indices, VIX futures can be traded and are used to construct a variety of volatility exchange-traded products
- VIX options are also linked to the futures contracts (not the VIX index)
- The VIX futures term structure provides a useful measure of investor sentiment
- A constant-maturity value derived from VIX futures (VX30) can be used for comparison to VIX

# VIX futures: The 2025 average for VX30 ticked higher and pulled the range up with it



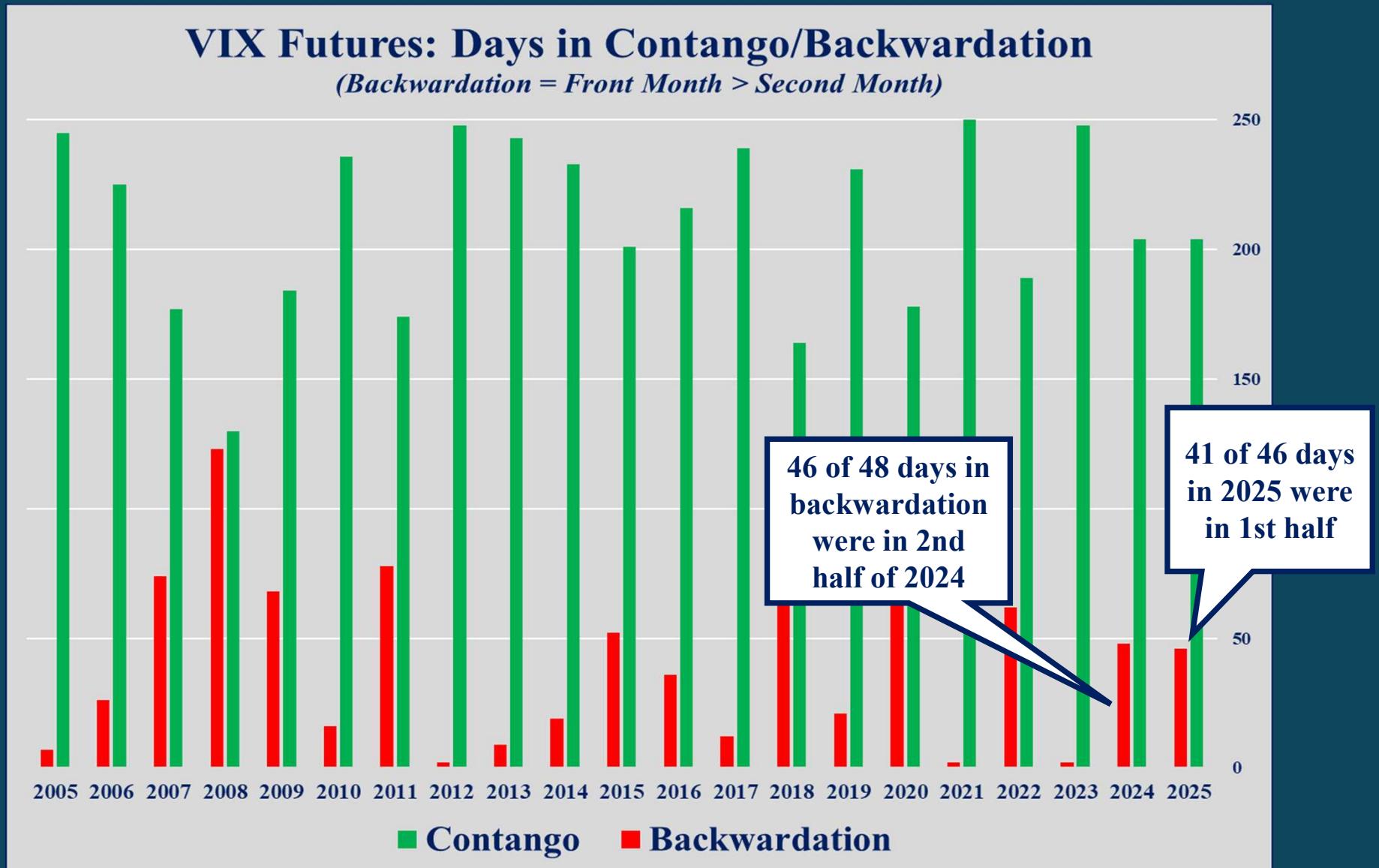
- Data Source: CBOE (data through 12/31/2025)

# At peak Tantrum, the tradeable VIX futures showed less fear than the CBOE vol indices



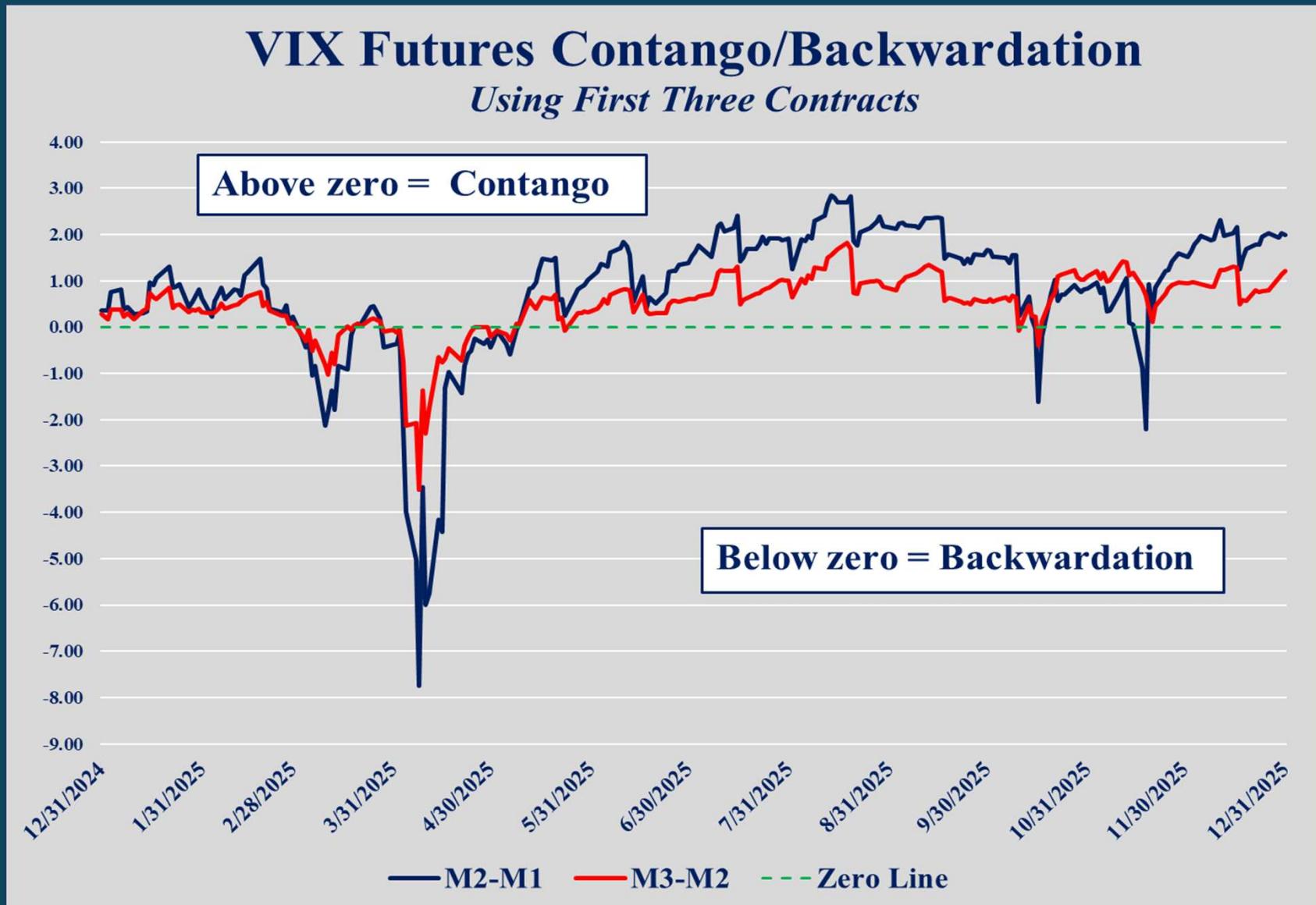
- Data source: Yahoo Finance and CBOE (data through 12/31/2025)

# VIX futures behavior was a tale of two halves in 2025 as it was in 2024 – just reversed



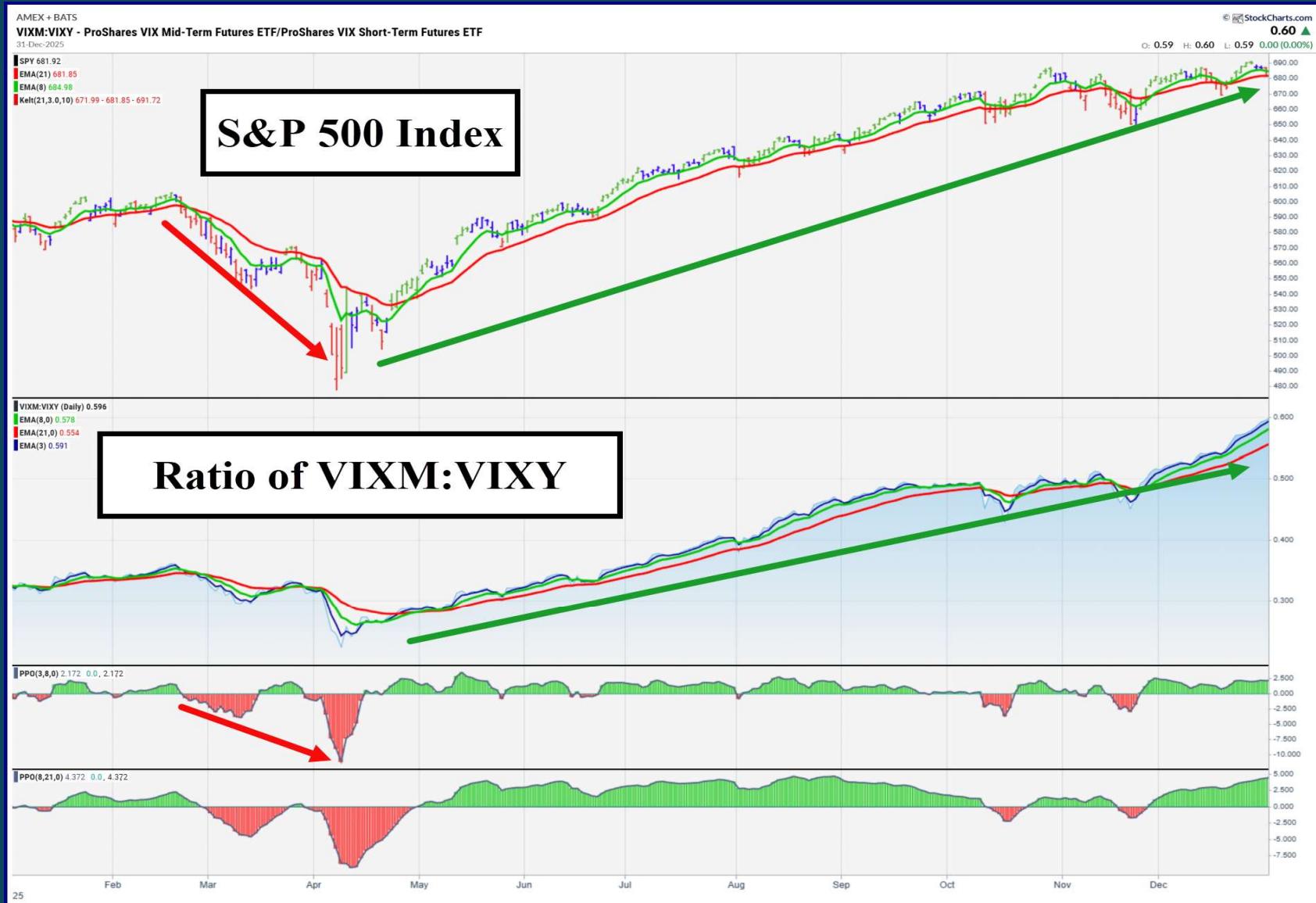
- Source: Yahoo Finance and CBOE (data through 12/31/2025)

As noted on the previous slide, backwardation of VIX futures was primarily a first half thing



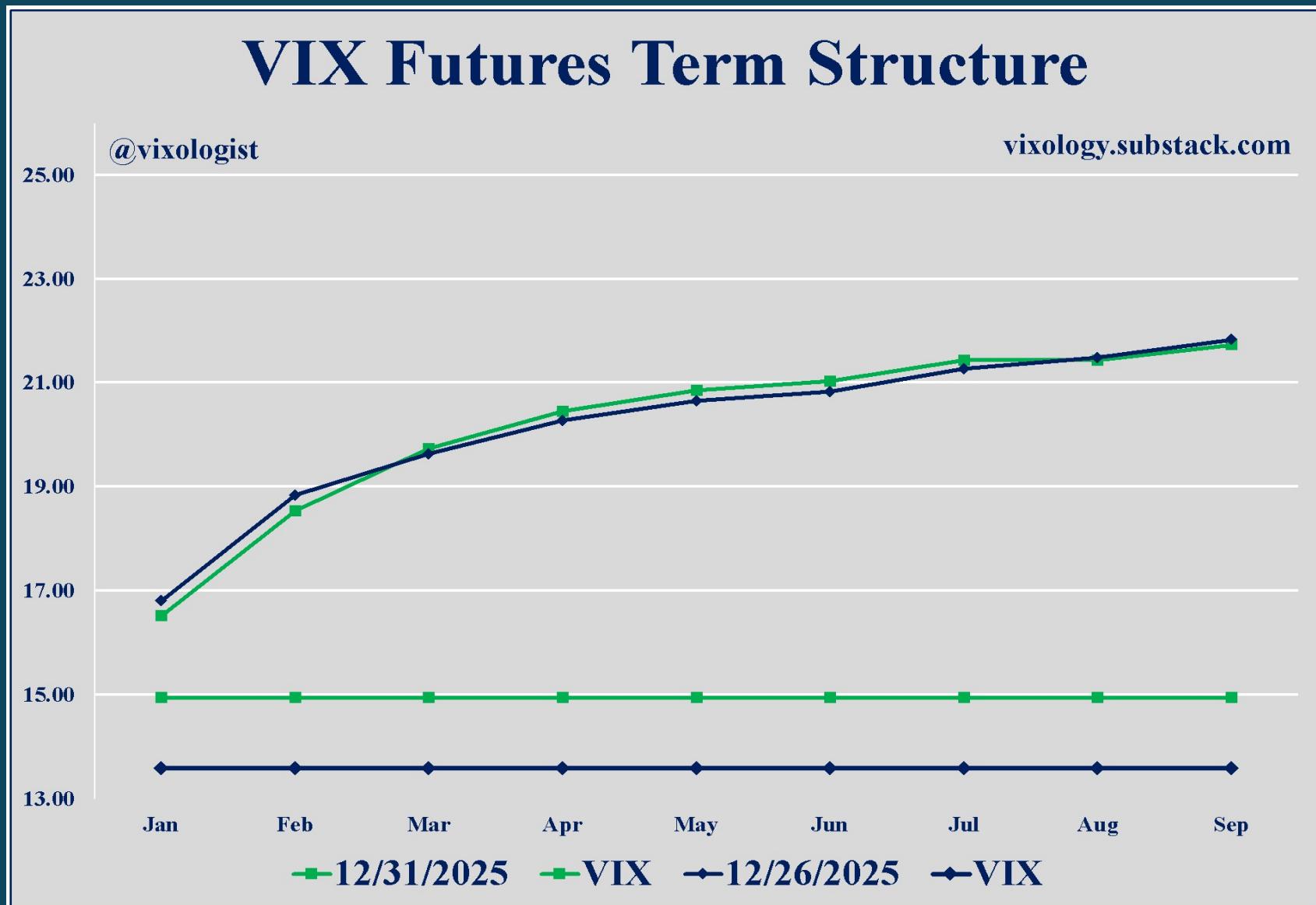
- Source: Yahoo Finance and CBOE (data through 12/31/2025)

# Another way to look at VIX futures term structure using the tradeable VIXY & VIXM



- Source: Yahoo Finance and CBOE (data through 12/31/2025)

At 12/31, VIX futures were in contango  
(bullish) as equity markets hit all-time highs

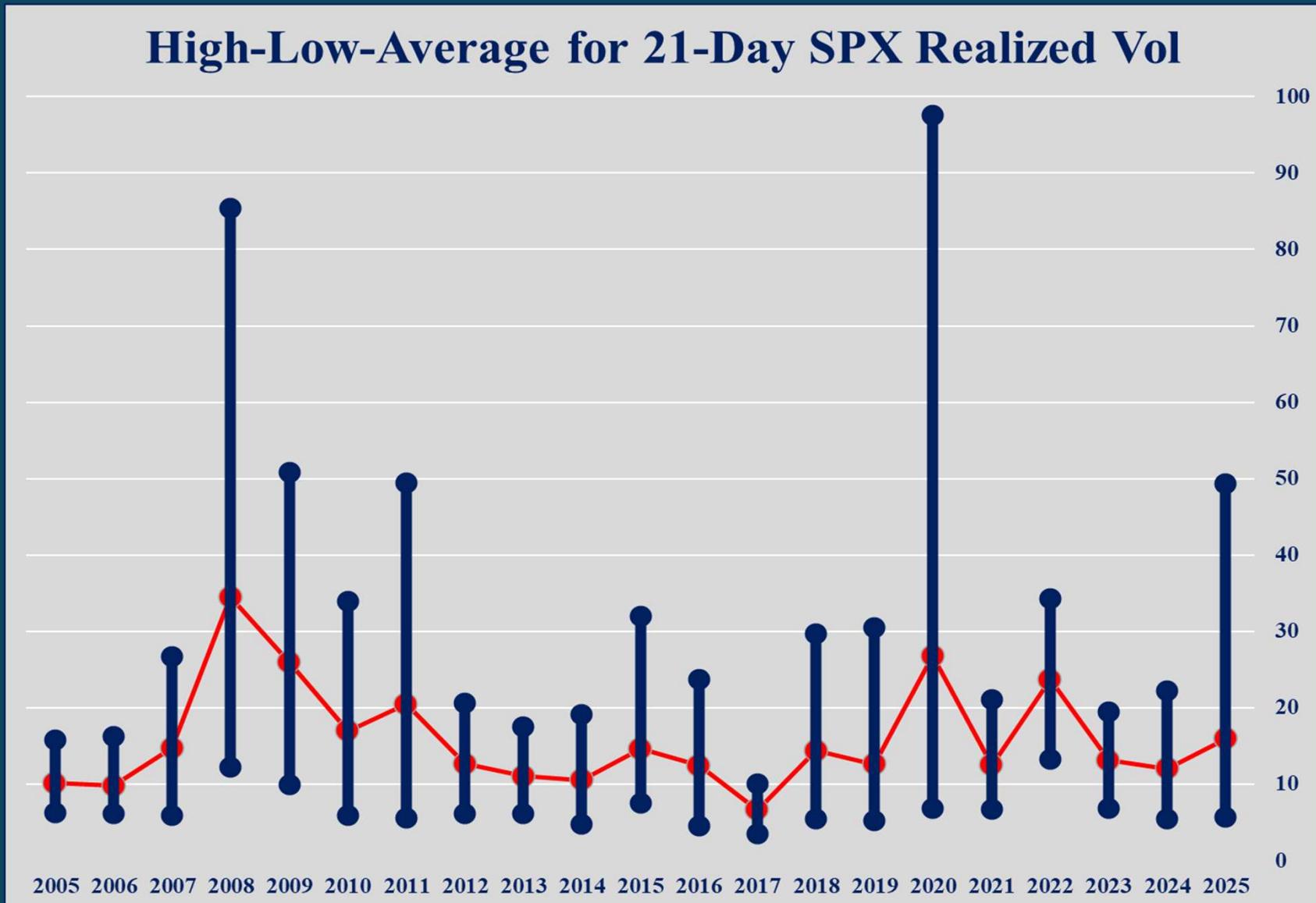


- Data source: CBOE

# Realized Volatility

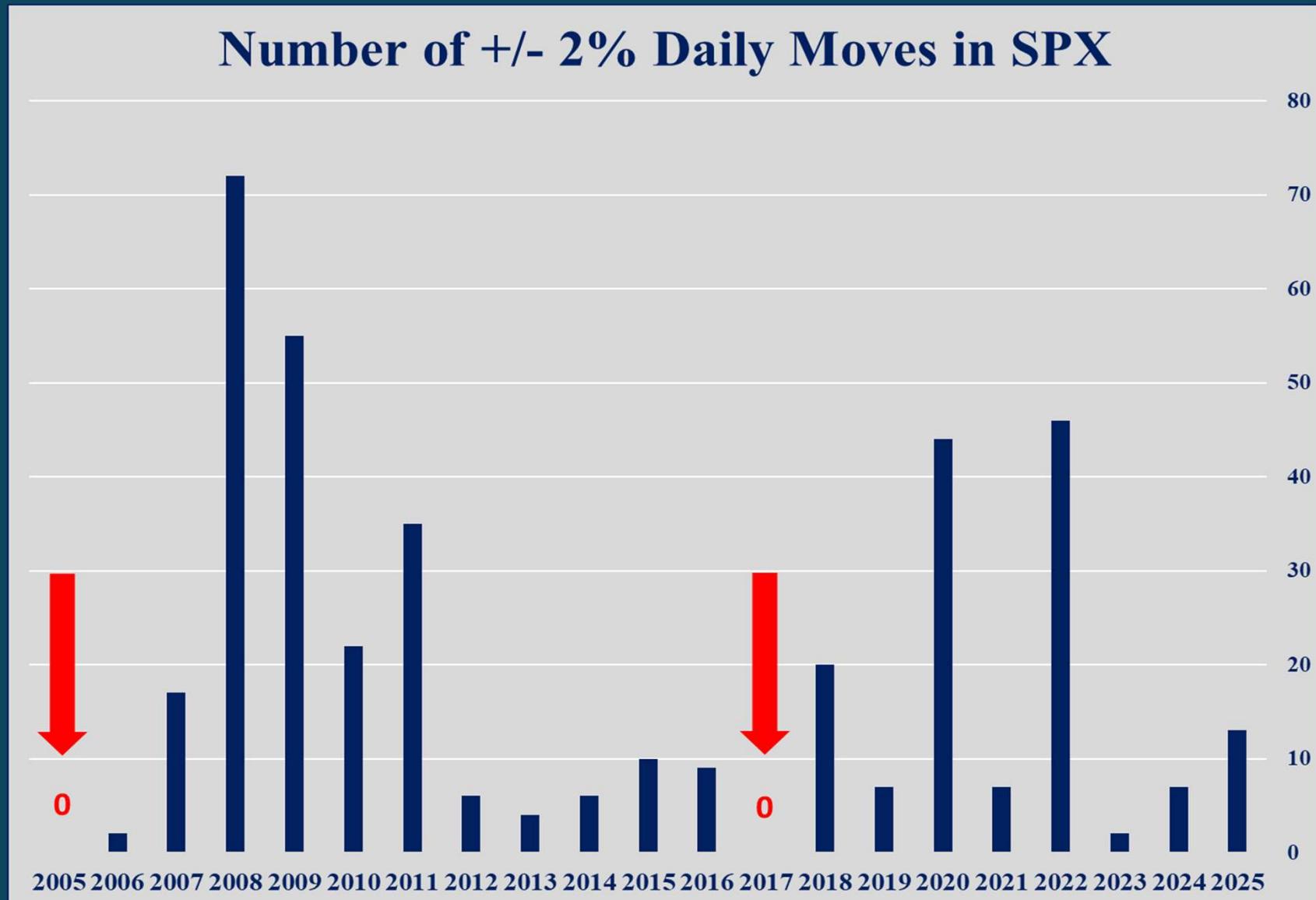
- Realized volatility (RV) measures the actual variance of returns for the S&P 500
- RV can be useful in identifying volatility regimes (high, low, neutral)
- RV can also be compared to VIX and VX30 to measure so-called risk premia

# The Tariff Tantrum created the widest range of realized volatility since the Pandemic in 2020



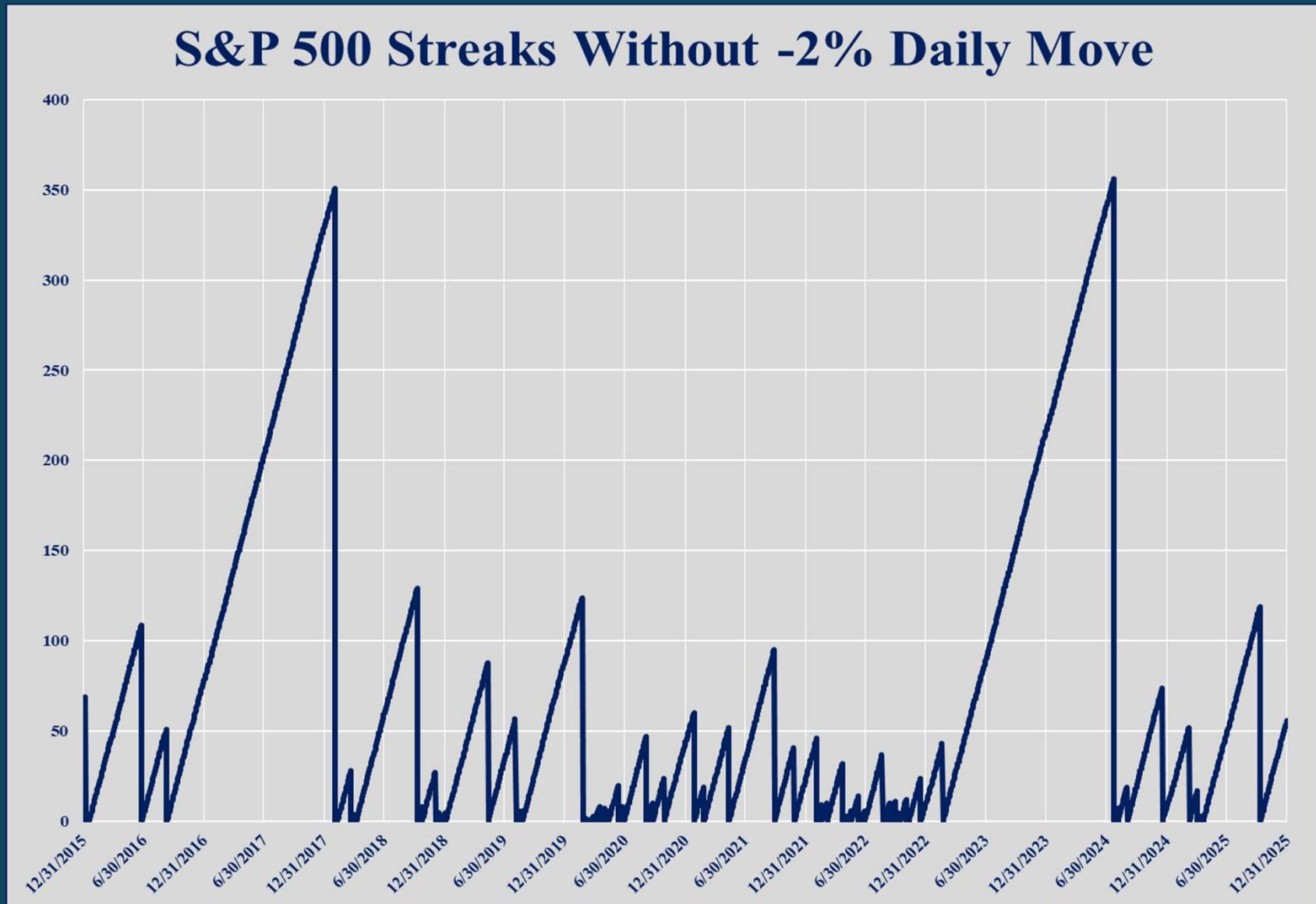
- Data Source: Yahoo Finance (data through 12/31/2025)

# Expansion of realized volatility came from an increase in daily moves > +/- 2%



- Data Source: Yahoo Finance (data through 12/31/2025)

**2025 saw a post-Tariff Tantrum streak of 108 days without a -2% day (not uncommon)**

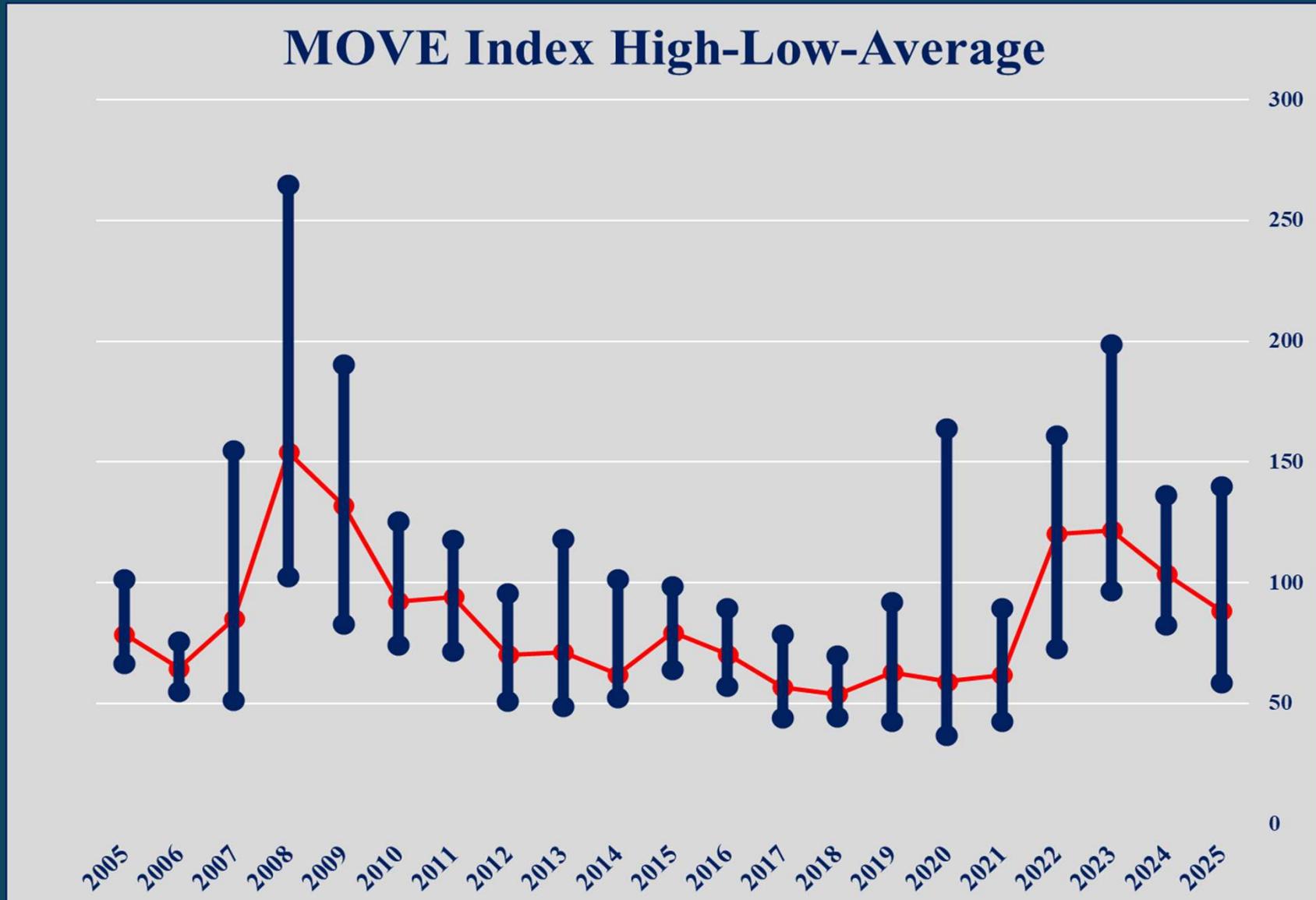


- Source: Yahoo Finance and CBOE (data through 12/31/2025)

# Credit Markets

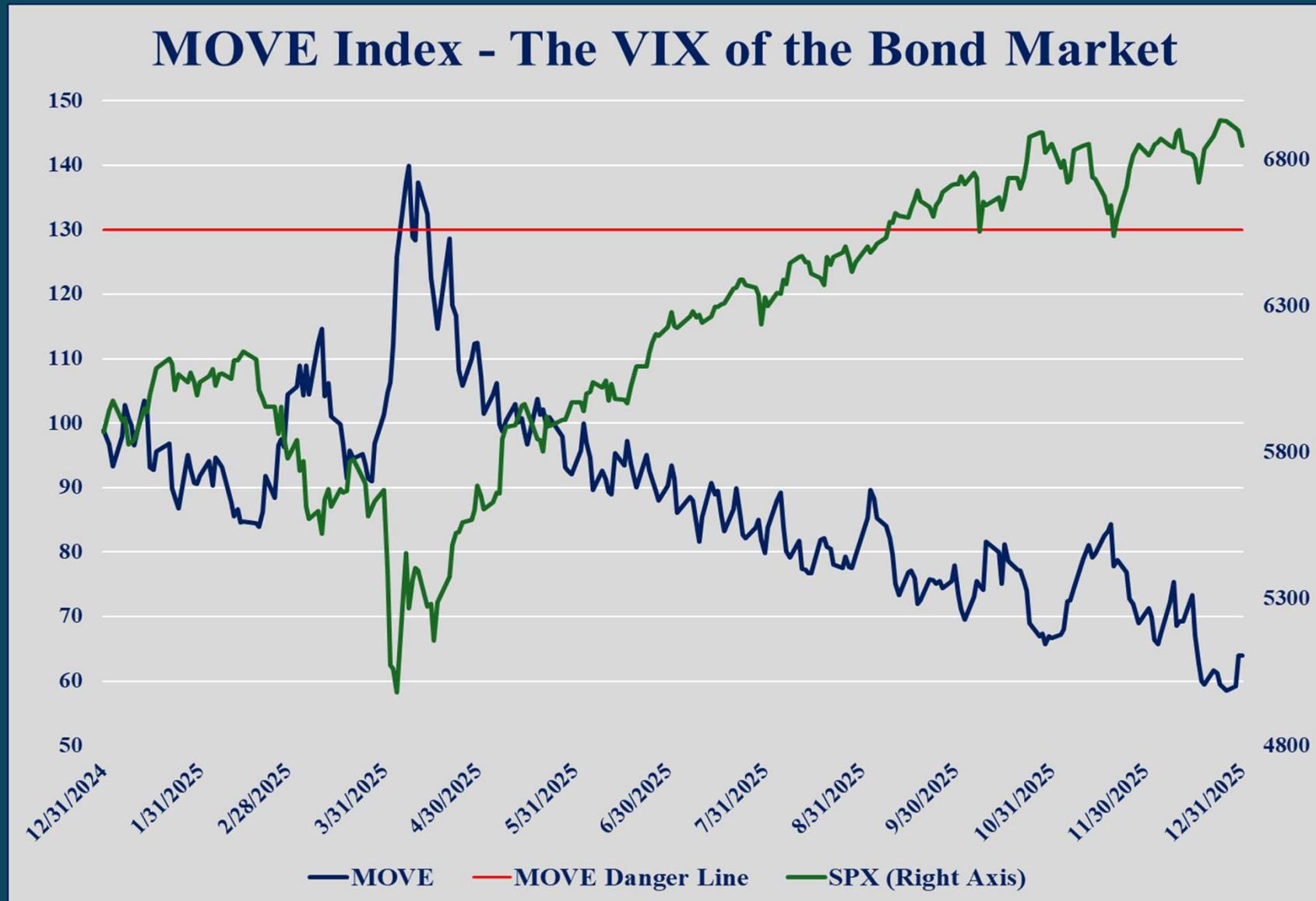
- Equity market volatility tends to get the bulk of investor attention
- However, signals from credit markets are sometimes the “canary in the coal mine” anticipating shifts in the stock market
- The MOVE index can be used as the VIX for Treasury bonds
- The high yield bond market is also a source of valuable information

# The MOVE Index (VIX of the Bond Market) trended lower in 2025 but with a wider range



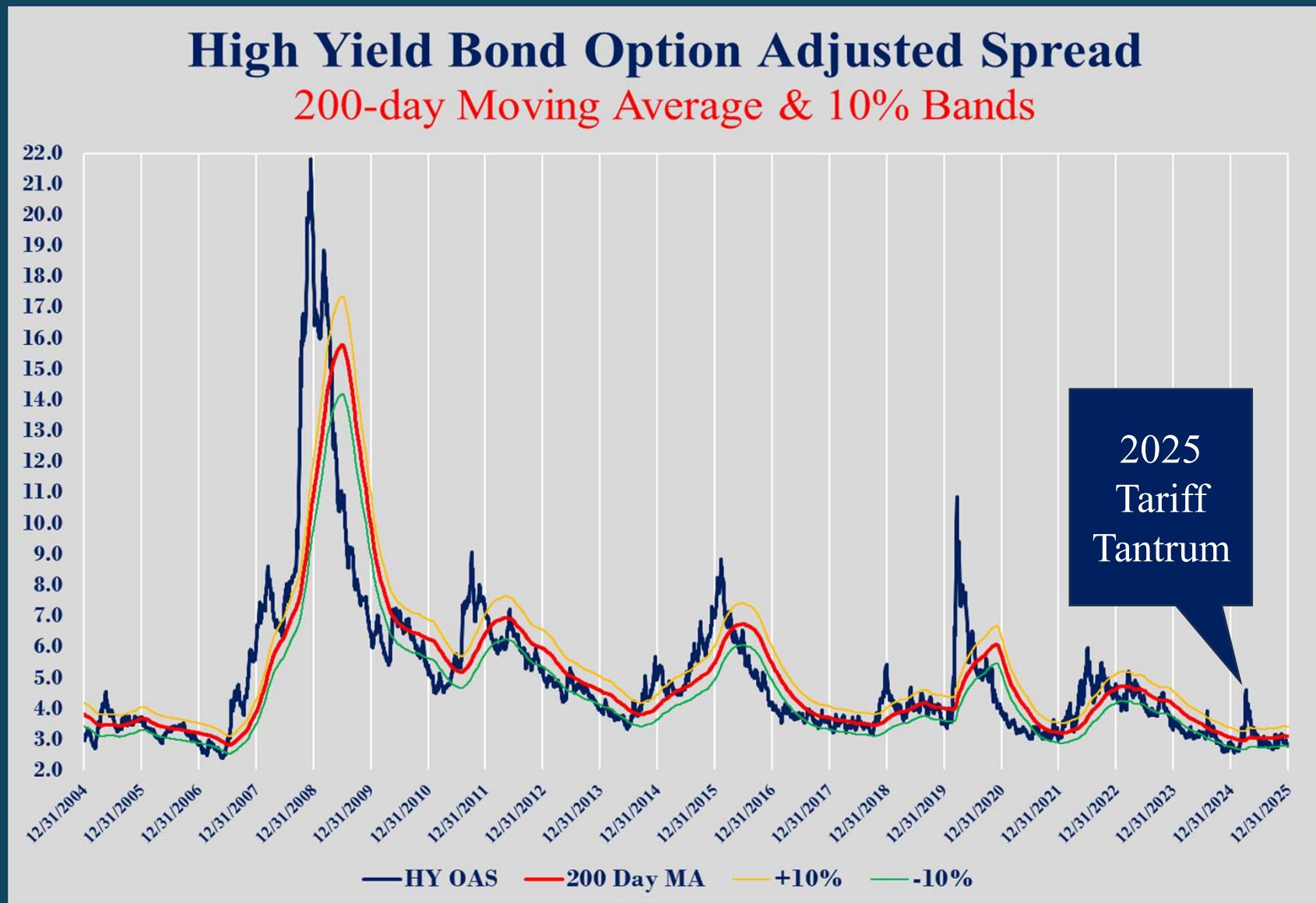
- Data Source: Investing.com (data through 12/31/2025)

# MOVE entering the Danger Zone in April was a trigger for delaying tariffs (the TACO trade)



- Data Source: Investing.com and Yahoo Finance (data through 12/31/2025)

# After a Tariff Tantrum spike, high yield bond spreads dropped back below 3%

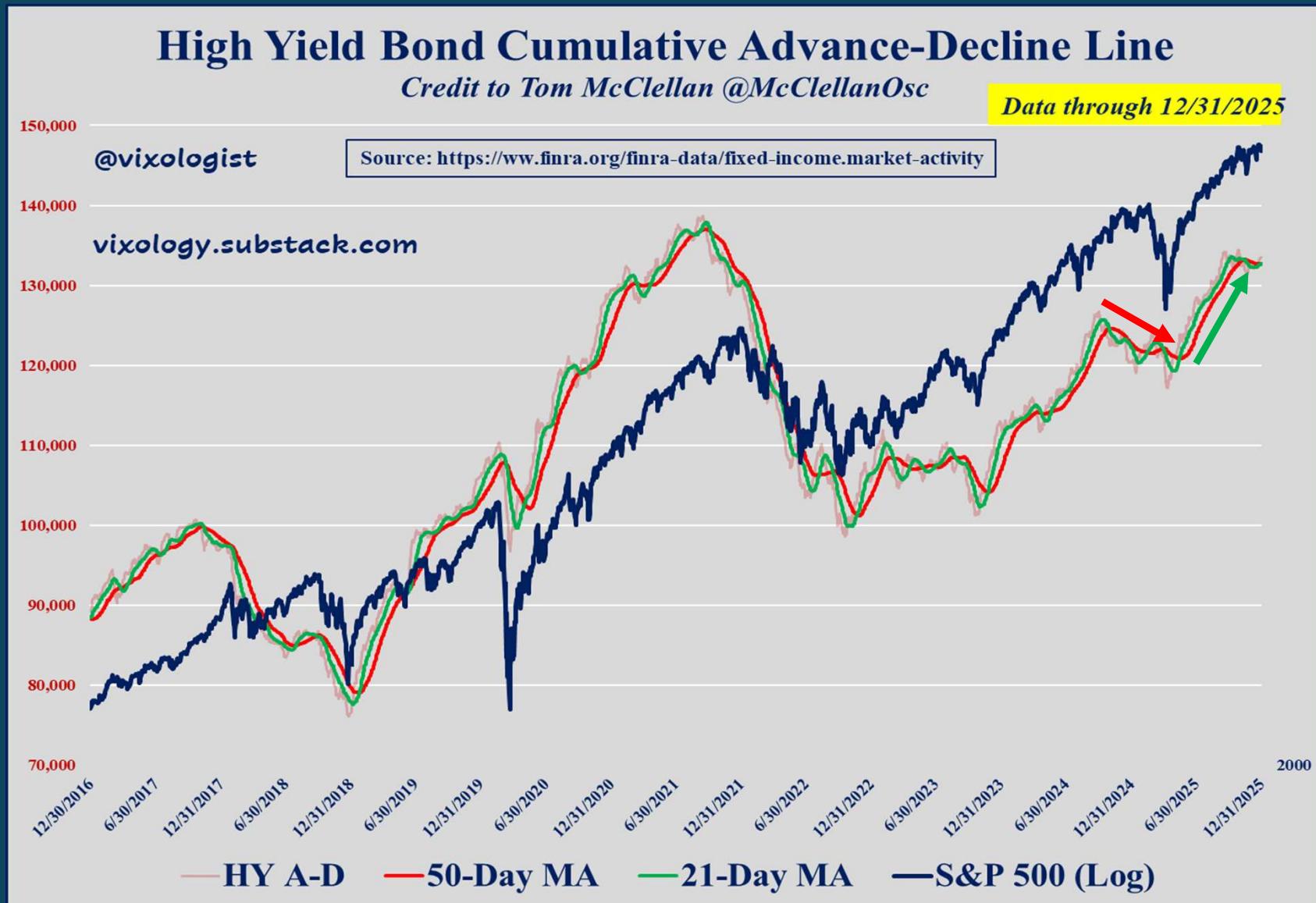


- Source: FRED data for ICE BofA High Yield OAS (data through 12/31/2025)

# **HY Bond A/D Analysis**

- Analysis of advance/decline data for equity markets is a common measure of breadth
- Similar data exists for publicly-traded high yield bonds and offers useful insights
- In many cases, the high yield market shows breadth deterioration in advance of downturns in the equity markets
- Recent examples include 2018, 2022 and early 2025

# High yield A-D line rolled over in advance of the Tariff Tantrum but then recovered

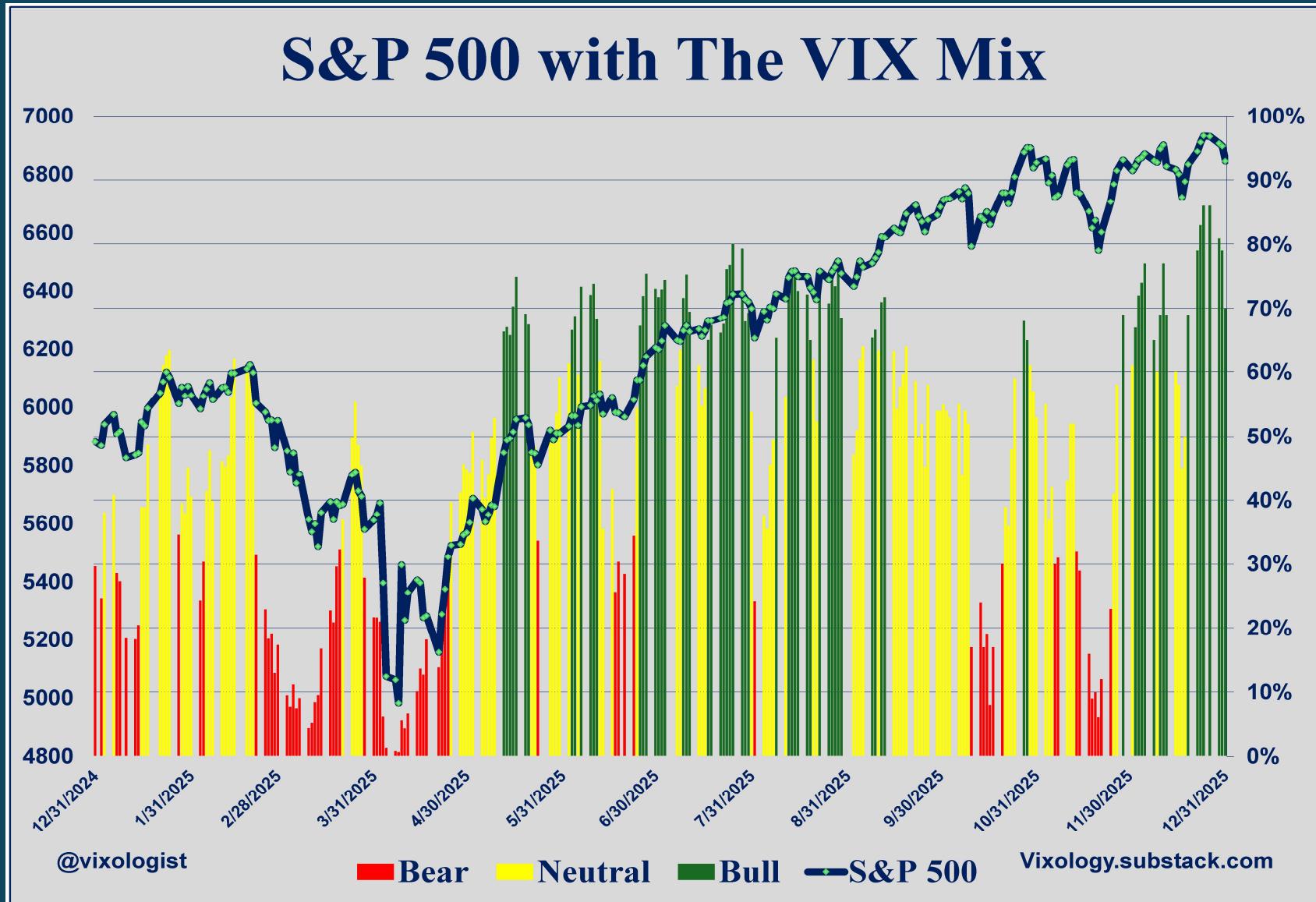


- Source: Finra fixed income market activity (data through 12/31/2025)

# The VIX Mix

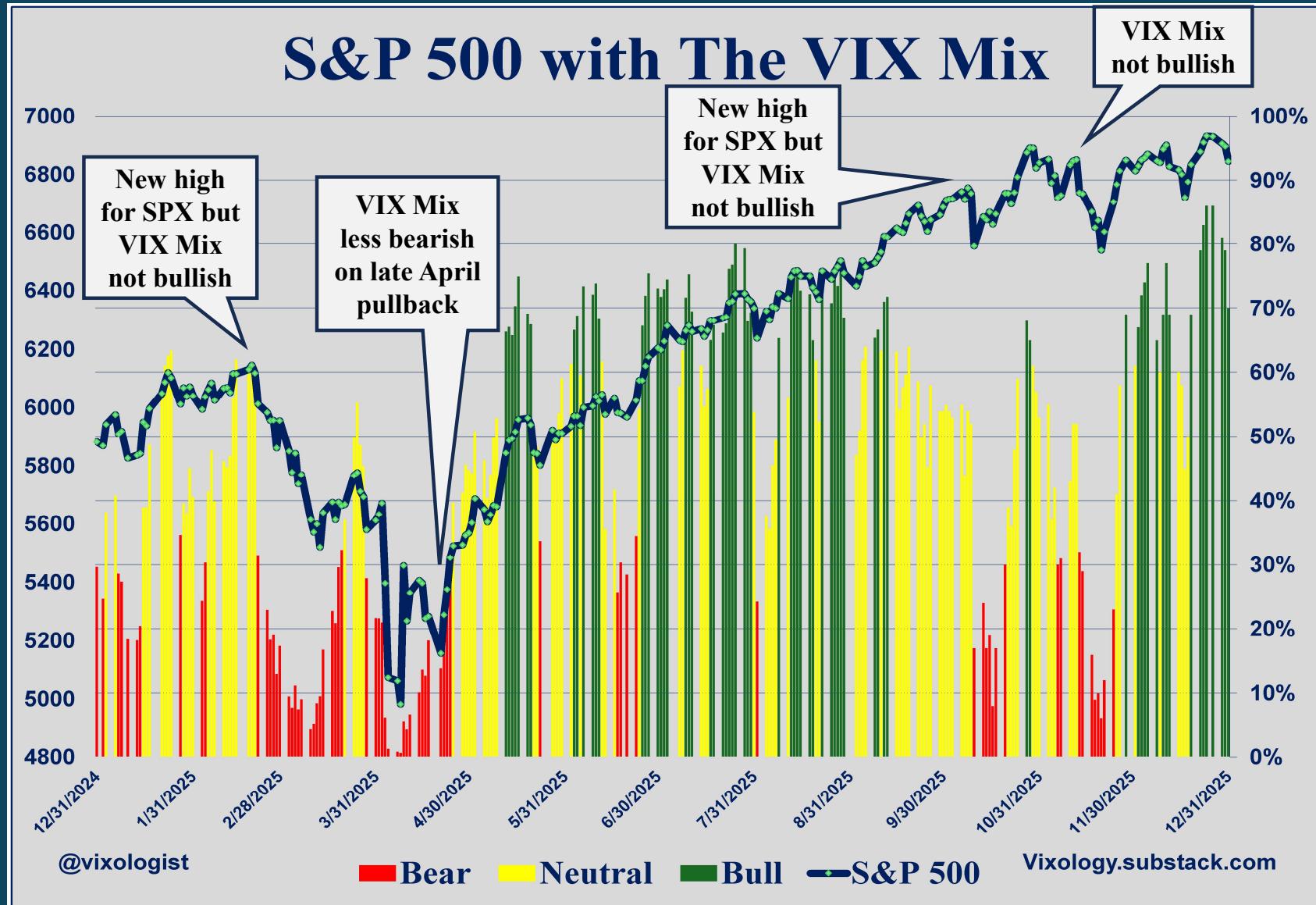
- Introduced in late 2024, the VIX Mix is a proprietary composite of volatility signals
- VIX Mix consolidates 17 indicators to provide values on a gauge from 0 (bearish for risk assets) to 100 (bullish)
- The VIX Mix reflects conditions that may be in sync with stock market trend or may diverge – adding perspective in either case

# 2025 was the first full year for The VIX Mix – our proprietary gauge of volatility conditions



- Data source: Yahoo Finance for S&P 500; VIX Mix is proprietary (data from 12/31/2024 - 12/31/2025)

# VIX Mix is not a timing signal but divergences with SPX can be useful for managing risk

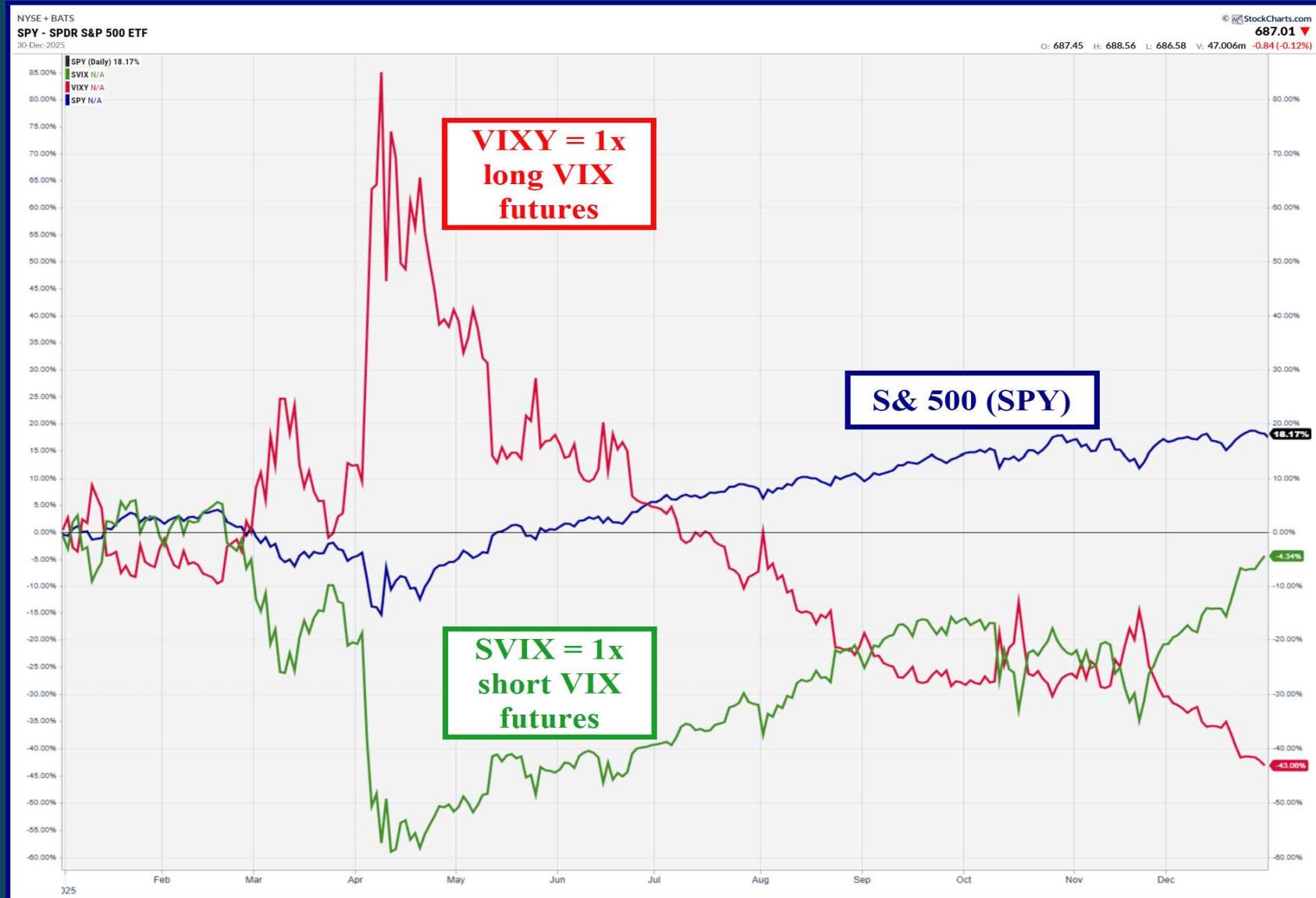


- Data source: Yahoo Finance for S&P 500; VIX Mix is proprietary (data from 12/31/2024 - 12/31/2025)

# So What??

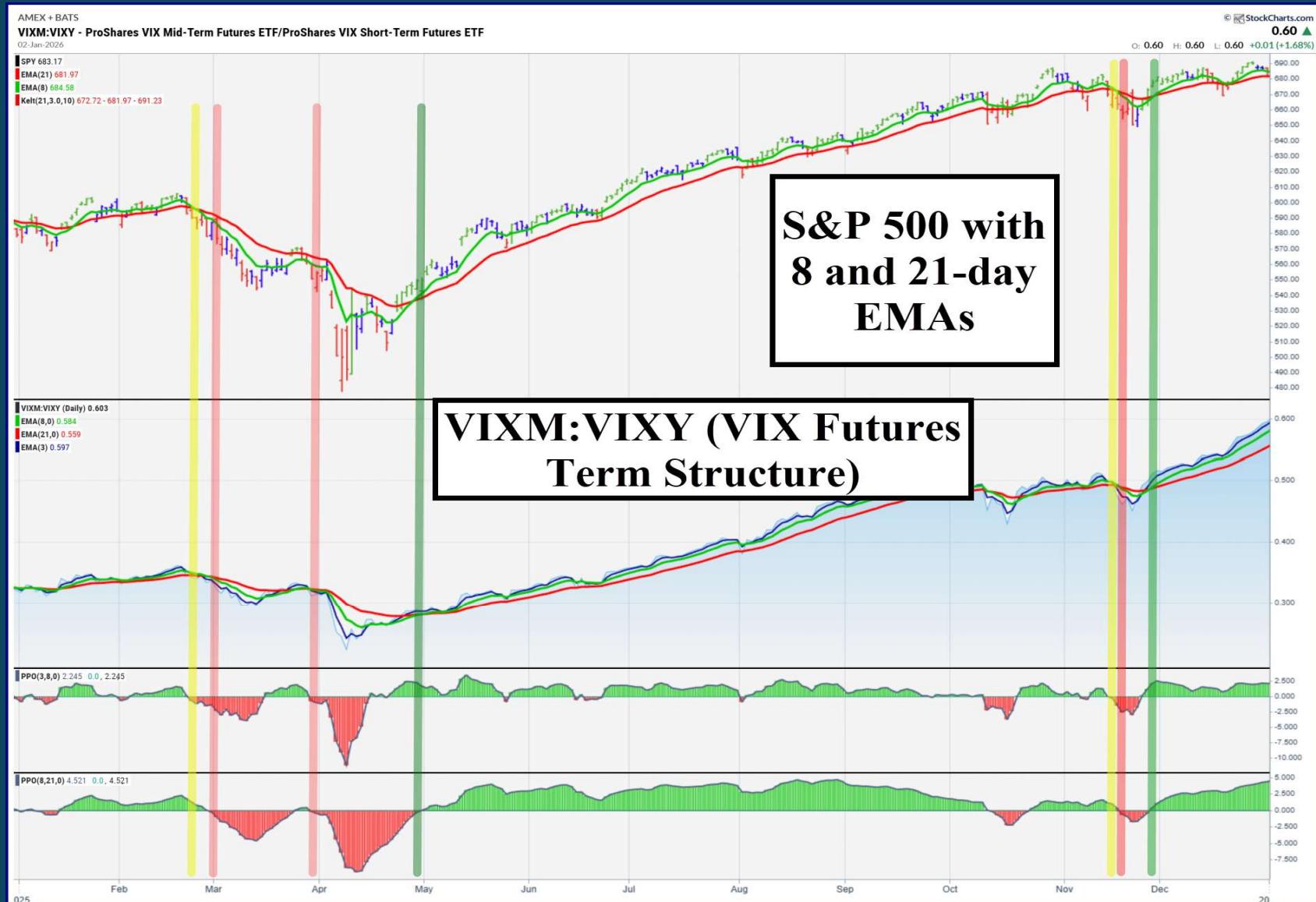
- Long-term investors may choose to ignore volatility *or use it to their advantage*
  - Avoid flying blind for lack of relevant information
  - Identify potentially vulnerable conditions as hedging opportunities
  - Look for oversold conditions where fresh capital might be deployed
- Active investors may choose a more aggressive approach to exploit volatility
  - Identify opportunities to short equities or go long volatility
  - Look for rebounds to employ short volatility or levered long positions
  - Tool kit includes volatility exchange-traded products, levered equity index ETFs, options, and futures

# A buy & hold strategy using volatility ETFs (SVIX & VIXY here) is fundamentally flawed



- Chart source: StockCharts.com (data from 12/31/2024 - 12/31/2025)

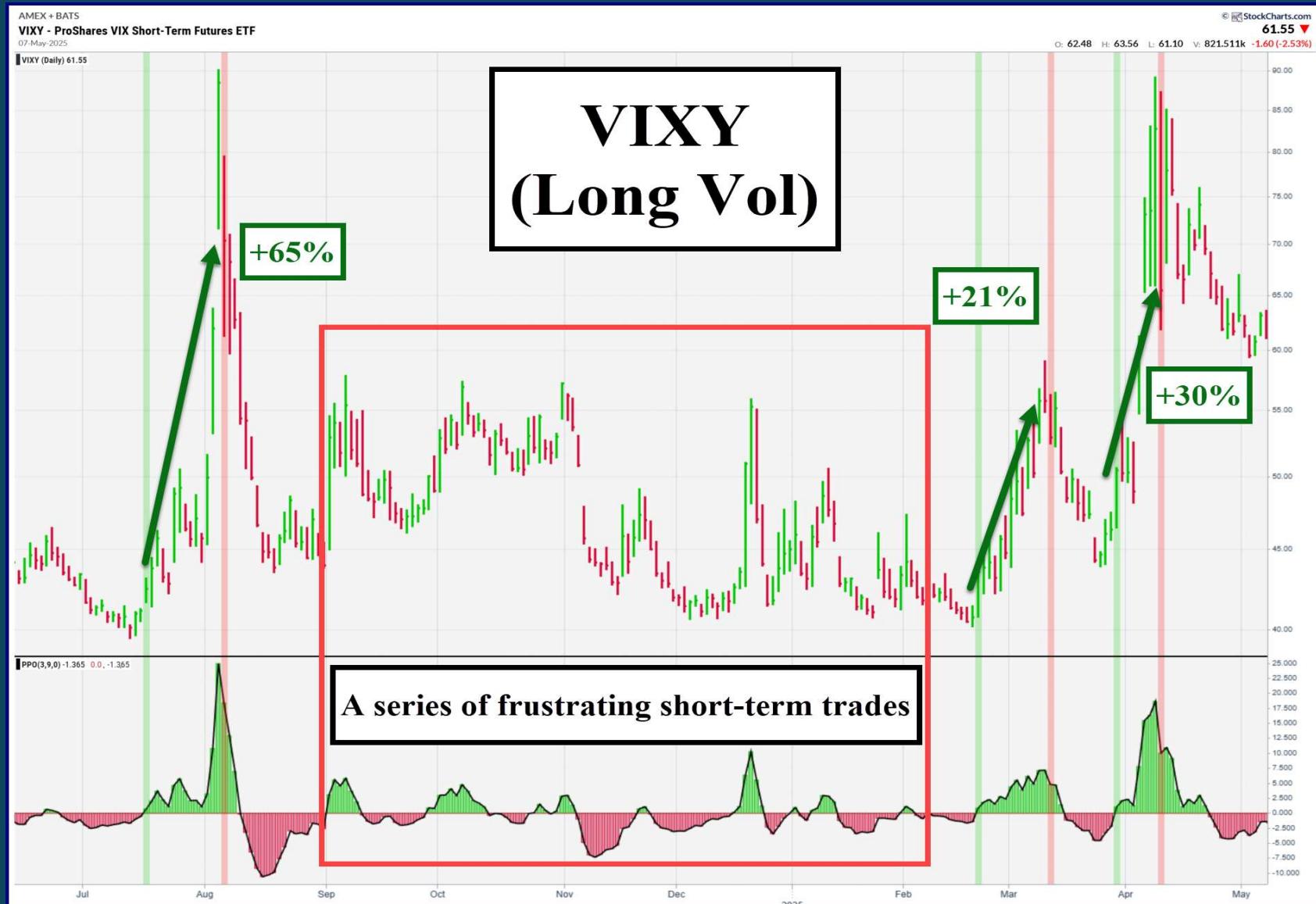
# Tactical trading opportunities may be identified using the VIX futures term structure



- Chart source: StockCharts.com (data from 12/31/2024 – 12/31/2025)

*See our disclaimer*

Tactical long vol trades can be very profitable and very frustrating – a disciplined system is required



- Chart source: StockCharts.com (data from 6/12/2024 - 5/8/2025)

*See our disclaimer*



# Short vol trades tend to track market uptrends but can end violently – more discipline required



- Chart source: StockCharts.com (data from 2/11/2025 – 1/26/2026)

*See our disclaimer*

# Questions for 2026

- Will the Supreme Court overturn trade tariffs?
- Will new tariffs be used as a geopolitical weapon?
- Will the new Fed Chairman calm investors or be more hawkish than expected?
- Will Venezuela lead to takeovers of Cuba and Greenland as part of the National Security Strategy?
- Will the AI CapEx surge lead to trouble?
- Will the surge in commodities end in tears?
- Will the economy and stock markets surprise to the upside?

Jim Carroll is a Senior Wealth Advisor and Portfolio Manager for Ballast Rock Private Wealth. Jim has been advising high net worth individuals and families for twenty years. He has also served as CFO of a public company and as an investment banker with three major Wall Street firms.

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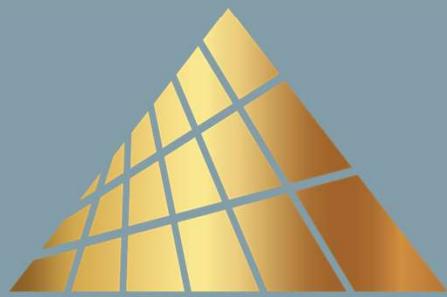


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