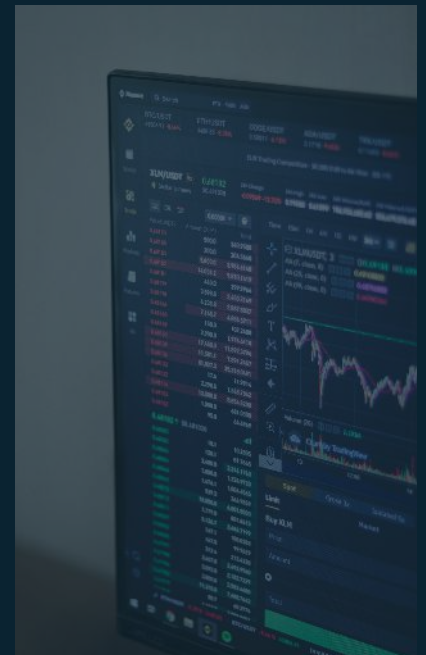


# Chart-in-Focus

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## MOVE and TLT: How Falling Volatility Restores Portfolio Balance

Milan Vaishnav, CMT, MSTA



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# MOVE and TLT: How Falling Volatility Restores Portfolio Balance

## From “Uninvestable” to Unfolding Opportunity

For the better part of two years, long-duration Treasuries were the pariah of institutional portfolios. The global repricing of yields following an unprecedented tightening cycle crushed duration exposure. The iShares 20+ Year Treasury Bond ETF (TLT) fell over 50% from its 2020 highs, and investors learned – painfully – that bonds could fall in tandem with equities.

However, something has shifted beneath the surface. Volatility in the rates market, as measured by the MOVE Index, has been steadily receding since Q1 of 2025. While not front-page news, this quiet compression in volatility is often the first sign of a new phase in the fixed-income cycle.

A look at the TLT–MOVE overlay suggests the worst of the rate storm may be behind us – and that duration, once toxic, may soon resume its role as a stabilizer and opportunity generator.

## Reading the Relationship — When Volatility Calms, Bonds Heal

For the better part of two years, long-duration Treasuries were considered uninvestable. The sharp rise in interest rates through 2022 and 2023 caused one of the steepest drawdowns in modern bond-market history. The iShares 20+ Year Treasury Bond ETF (TLT) – a proxy for long-duration exposure – lost over half its value from its 2020 highs. For investors accustomed to Treasuries serving as a hedge against equity risk, the simultaneous decline in both asset classes was deeply unsettling.

But in markets, fatigue often precedes reversal. Since Q1 of 2025, volatility in the U.S. rates market has been steadily receding, even as most participants remain focused on equity indexes or commodities. The MOVE Index, which tracks implied volatility in Treasury options, has slipped from crisis-era levels above 140 to below 80 by late 2025. Beneath the surface, this decline in volatility is quietly rewriting the fixed-income narrative. Where fear once dominated, the chart now suggests stability and accumulation. The relationship between MOVE and TLT – one of the most reliable cross-asset barometers – is signalling that the worst of the rate storm may finally be over.



*The MOVE Index (green line) and TLT (black candlesticks) display their typical inverse relationship. Peaks in rate volatility through 2023–24 correspond to price troughs in TLT, while the steady decline in volatility since Q1 of 2025 aligns with a structural base forming in long-duration Treasuries. The chart visually captures the shift from policy turbulence to stabilization – a precursor to renewed duration performance.*

*As rate volatility cools and long-duration Treasuries base, fixed income may be quietly regaining its strategic role*

## The Technical Anatomy — Signs of a Durable Base

Technically, TLT's behavior has shifted from deterioration to repair. After two relentless years of decline, prices found durable support in the 85–95 zone. Each retest of that range attracted renewed buying interest. Momentum indicators reinforce the change: the 14-period RSI has been trending higher since early 2025, oscillating between 40 and 70 – a range that reflects steady accumulation rather than speculative euphoria.



As the MOVE Index trends lower, TLT’s momentum (14-period RSI) rises from sub-40 readings into the 60–70 zone. This inverse pattern illustrates how falling rate volatility precedes the improvement in bond-market internals. The RSI progression reflects early accumulation within a base, typical of a transition from capitulation to repair in long-duration fixed income.

At the same time, each local trough in the MOVE Index has coincided with a minor breakout in TLT, confirming the inverse linkage. This interplay between falling volatility and improving price action defines the “healing phase” in fixed income. It is during such periods of contraction — when range and volatility narrow — that institutional liquidity returns, spreads tighten, and duration risk becomes investable again. The absence of new lows, after a multi-year bear market, often serves as the first technical signal of regime change.

Macroeconomically, the message aligns neatly with observable trends. Inflation has cooled substantially from its peak but remains moderately above central-bank targets. Policymakers, after executing the most aggressive tightening in four decades, have largely paused to assess lag effects. Fiscal conditions are loose, but the market’s focus has shifted from “how high” to “how long.” These developments collectively reduce the volatility of rate expectations — precisely what the MOVE Index captures.

As uncertainty fades, duration exposure moves from being a liability to becoming an opportunity. Bonds may not yet be poised for runaway performance, but they are reclaiming their traditional role as the stabilizing anchor of diversified portfolios. With equity valuations stretched and cyclical assets fully priced for a soft landing, the convexity embedded in long-duration Treasuries regains strategic importance. A decline of just 25–50 basis points in yields can translate into double-digit appreciation for TLT, while the downside risk is now bounded by the base formed through 2025.

## Decision-Making Value — What This Means for Allocators

For professional allocators, understanding this MOVE–TLT dynamic provides tangible decision value. The MOVE Index functions as an early-warning system for regime shifts in rate risk. When volatility begins to fall, it implies that the era of unpredictable tightening is ending and that the market is transitioning toward an income-driven framework. That is the point at which it becomes rational to reintroduce duration risk in measured quantities – not as a high-conviction trade, but as a recalibration of portfolio balance.



The overlay of the 10-year Treasury yield (blue line) and TLT (black line) underscores the fundamental inverse relationship between rates and bond prices. The flattening of yields since early 2025 mirrors the consolidation in TLT, reinforcing that yield stabilization, rather than outright decline, is sufficient to restore price stability and convexity benefits for duration-heavy portfolios.

The inverse chart relationship between the U.S. 10-Year Treasury Yield and TLT reinforces this decision-making framework. Each period of yield stabilization or mild retracement coincides with the onset of recovery in long-duration Treasuries. The recent flattening of yields – visible since early 2025 – suggests that the heavy repricing phase in duration risk has likely run its course. For allocators, this is a crucial visual cue: when yields stop rising, the price damage is largely done, and the convexity of long bonds begins to work again. In other words, stabilization in yields, even without outright decline, often marks the point at which duration resumes its role as a portfolio shock absorber rather than a source of drag.

As volatility contracts, the traditional negative correlation between equities and bonds tends to reassert itself. The diversification benefit, which broke down during the 2022–2023 inflation shock, starts to return. Long-duration bonds once again behave as volatility dampeners rather than amplifiers. This shift allows multi-asset investors to rebuild the 60/40 parity logic that had temporarily failed.

On a tactical level, falling volatility clarifies timing. Allocators seeking exposure through TLT, zero-coupon bonds, or rate futures can now operate within defined risk parameters. The contraction in MOVE means that rate hedges and optionality are cheaper to implement; buying duration insurance or swaptions becomes cost-effective precisely when others have stopped paying attention to it. Conversely, if MOVE bottoms and begins to rise again, that would signal the next inflection point – a cue to reduce risk as the next wave of volatility approaches.

Every market cycle carries its own psychology. The past few years cemented a belief that “bonds are broken,” leaving many institutions underweight fixed income. Yet the combination of technical stabilization, volatility compression, and policy normalization suggests that narrative is stale. The MOVE–TLT chart, viewed over multiple cycles, tends to mark the inflection from fear to re-engagement. When volatility peaks and begins to fade, the foundation for normalized returns is quietly laid.

This pattern echoes earlier transitions – in 2013 after the taper tantrum and again in 2019 following the Fed’s last tightening phase. In both instances, long-duration Treasuries began outperforming defensive equities just as volatility declined and consensus was still skeptical. The same rhythm appears to be unfolding now. For valuation-focused investors, the asymmetry of risk and reward favors measured re-entry into duration exposure. Downside potential is defined and limited, while upside convexity – the ability to benefit disproportionately from even small declines in yields – remains significant.

## Takeaway

The conclusion is straightforward but nuanced. Bond volatility is the market's emotional pulse; when it quiets, opportunity often emerges. The MOVE Index, now back to pre-tightening levels, reflects renewed confidence in monetary stability. For allocators and portfolio managers, that means two things: policy risk is subsiding, and fixed income can once again serve both as a hedge and as a source of real return.

*As volatility fades, value re-emerges. The MOVE Index is more than a measure of noise — it is a sentiment barometer for trust in the policy framework. Its steady decline signals the transition from turbulence to normalization. In this environment, duration is no longer the problem; it is part of the solution.*

After a long time, bond charts are sending constructive signals. When investors stop fearing duration, that is usually the moment it begins to work again.

**Milan Vaishnav, CMT, MSTA,**

**Technical Analyst,**

**Member: (CMT Association, USA | CSTA, Canada | STA, UK) | (Research Analyst, SEBI Reg. No. INH000003341)**




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