

Implied volatility rank what it measures and what it misses

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Summary: Broadcom's options were pricing roughly twice the implied volatility of Coca-Cola's on 10 September 2026, yet on a relative basis it was Coca-Cola that looked the richer of the two. Implied volatility rank explains why - and a look at what the number leaves out shows why it belongs at the start of a process rather than at the end of one.

An implied volatility reading of 38% tells you almost nothing on its own. The only question that matters is: compared to what?

Broadcom's options were pricing around 37.7% implied volatility on 10 September 2026. Coca-Cola's were pricing around 18.9% (Source: Saxo platform, indicative pre-open figures as of 10 September 2026). Broadcom's number is twice the size. Does that make Broadcom's options expensive?

It does not. It makes Broadcom a more volatile company than Coca-Cola, which anyone could have guessed without opening a chain. Absolute implied volatility describes an underlying's temperament, not the price of its options relative to what that underlying normally commands. Comparing raw readings across two businesses is a category error.

Past performance is not indicative of future results; figures are illustrative and not predictive.

Implied volatility rank exists to solve that problem. It answers a narrower and more useful question: where does today's implied volatility sit inside this underlying's own recent history?

Important note: The strategies and examples provided in this article are purely for educational purposes. They are intended to assist in shaping your thought process and should not be replicated or implemented without careful consideration. Every investor or trader must conduct their own due diligence and take into account their unique financial situation, risk tolerance, and investment objectives before making any decisions. Remember, investing in the stock market carries risk, and it's crucial to make informed decisions.

Key takeaways

- Implied volatility rank places today's implied volatility inside the underlying's own 52-week range, on a 0 to 100 scale, making different underlyings comparable
- Rank and percentile are built from the same input but answer different questions, and the gap between them is informative
- A high rank is frequently high for a reason, and rank carries no directional information whatsoever

Past performance and historic volatility readings are not a reliable indicator of future results.

How the number is built

Implied volatility rank equals current implied volatility, minus the lowest implied volatility of the past 52 weeks, divided by the highest minus the lowest, multiplied by 100.

Suppose an underlying's implied volatility has ranged between 20% and 60% over the past year, and it currently sits at 30%. The rank is (30 minus 20) divided by (60 minus 20), multiplied by 100, which gives 25. Implied volatility is one quarter of the way up its own annual range.

Return to the opening pair with this lens. Broadcom's rank was approximately 7.9 and Coca-Cola's approximately 52.8 (Source: Saxo platform, indicative pre-open figures as of 10 September 2026). Broadcom's implied volatility is twice Coca-Cola's in absolute terms and sits near the floor of its own range, while Coca-Cola's sits above the middle of its. On a relative basis, in our view, the beverage company's options appeared the richer of the two.

That inversion is the entire argument for rank. It is what makes a screen across hundreds of underlyings possible, and it is why the figure now appears as a sortable column rather than something a trader has to assemble by hand.

Implied volatility rank sits alongside implied volatility, historical volatility and IV percentile as a sortable column. This image is illustrative and for educational purposes only; it is not predictive. Source: SaxoTrader

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Rank and percentile answer different questions

Alongside rank, we also publish implied volatility percentile: the proportion of trading days in the past year on which implied volatility closed below today's level. Same input, different arithmetic, and the two can disagree sharply.

Rank cares only about the endpoints of the range. Percentile cares about the whole distribution. That distinction becomes material after a volatility shock. One violent episode sets a 52-week high that may be far above where implied volatility has traded on any other day that year. For the following twelve months, that single spike inflates the denominator and drags every subsequent rank reading down, while percentile, which counts days rather than measuring distance, is untroubled by it.

Equinix illustrated this on 10 September 2026, with a rank near 31.7 against a percentile near 68.3 (Source: Saxo platform, indicative pre-open figures as of 10 September 2026). Rank suggested unremarkable mid-range pricing. Percentile said implied volatility had been lower than this on roughly two thirds of the past year's sessions. Verizon and Meta Platforms showed the same pattern, in the same direction, on the same day.

Each point is one underlying. Points on the dashed line read the same on both measures; points above it carry a percentile higher than their rank. This image is illustrative and for educational purposes only; it is not predictive. Source: Saxo platform, indicative pre-open figures as of 10 September 2026

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The practical point is straightforward. In our view both readings are worth consulting together. When percentile sits well above rank, the 52-week high is being held up by an event that has not repeated, and rank is understating how elevated pricing is by the standards of an ordinary day.

What rank cannot tell you

Rank is a positioning measure, not an explanation, and it is silent on several things that matter.

It is silent on direction. A rank of 80 says options are expensive relative to their own history. It says nothing about whether the underlying is likely to rise or fall, and treating a high reading as a bearish signal is a misuse of the number.

It is silent on cause. A high rank frequently reflects something real and pending: an earnings date, a regulatory decision, a live bid for the company. Collecting premium into an elevated reading without first identifying what is driving it means underwriting a risk that has not been examined, and the loss on such a position may be far larger than the credit received. In our view, this appears to be the most expensive mistake available to a rank-driven screener.

It is silent on term structure. Rank is calculated from a single volatility measure. It cannot see that the front month carries an event premium the back months do not, which is precisely the information a calendar or diagonal structure depends on.

It is silent on the calendar. Implied volatility may collapse across a whole market after an earnings season, and ranks fall with it. That is an artefact of timing, not a signal that premium has become cheap.

And it moves faster than intuition suggests. Broadcom's rank fell from approximately 11.2 to approximately 7.9 between 9 and 10 September 2026 (Source: Saxo platform, indicative pre-open figures as of 10 September 2026). A reading is a snapshot, not a standing condition.

Reading rank into structure

Rank does not select a trade. What it does is indicate which side of the premium a trader might reasonably sit on, once a view has been formed independently.

The structure families described below are hypothetical and for educational use only; they are not advice or trade recommendations.

A high reading suggests that structures collecting premium may be better compensated than usual for the risk they assume, though the maximum loss on any short-premium position remains substantial and, for uncovered structures, potentially far larger than the credit received. A low reading suggests that long-premium structures, calendars, and protective positions may be available at a modest cost relative to their own recent history, while the risk remains that the entire debit is lost if the anticipated movement does not materialise. Costs and charges apply to every structure and are set out in the Saxo pricing overview.

Options carry a high risk of rapid loss and are not suitable for every investor.

Rank indicates which side of the premium a position sits on, not which trade to place. This image is illustrative and for educational purposes only; it is not predictive. Source: Saxo

There is a structural layer worth noting. In a scan of the eleven S&P 500 sector ETFs and their five largest holdings on 10 September 2026, every sector ETF showed implied volatility below the average implied volatility of its own constituents (Source: Saxo platform, indicative pre-open figures as of 10 September 2026). Index and sector volatility is systematically lower than single-name volatility, because constituents do not move together. That is a reason to compare a sector ETF's rank against sector ETFs, and a single name's rank against single names, rather than across the two.

Final thoughts

Implied volatility rank is a sorting tool. It converts an unrankable field of underlyings into an ordered list, and that is genuinely valuable when the alternative is opening chains one at a time.

What it is not is a conclusion. The number tells a trader where pricing sits relative to its own history. It does not say why, it does not say for how long, and it does not say which direction. Those questions still require the chain, the calendar, and a view.

Used as the first filter in a process, rank narrows the field to somewhere worth looking. Used as the last step, it is a single number standing in for the analysis it was only ever meant to prompt.

Options carry a high risk of rapid loss and are not suitable for every investor. Past performance and historic volatility readings are not a reliable indicator of future results. The author does not hold positions in any of the instruments mentioned in this article. The Author is permitted to wait at least 24 hours from the time of the publication before they trade the instruments themselves.

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