

IVolatility.com User Guide

Advanced Ranker

Introduction

The Advanced Ranker is a scanner that allows the user to select the universe of stocks, indexes and ETFs for analysis. It provides the capability to search several established criteria to quickly find results. You can easily find opportunities with high volatility or the ones with the greatest change in volatility. You can even use the Advanced Ranker to find volatility skew and do correlation analysis work.

Getting Started

The Advanced Ranker is usually located on the left side of the Home Page, about two-thirds of the way down the list, under the heading "My Services". The location may vary depending upon your subscribed services.

Implied Volatility Index Historical Volatility Call/Put IV Index Ratio Correlation

Scan for option opportunities from the following groups: --All USA

Show stocks with price above: 10

Its functions are described on the four tabs above. They are Implied Volatility Index, Historical Volatility, Call/Put IV Index Ratio and Correlation.

Let's start with the Implied Volatility Index.

The first step is to specify the group we want to include in the scan. As you can see in the example above we have it set for --All USA. The other available selections are:

Top 200 (Options Volume)
Top 200 (Options Open Interest)
DJIA Stocks
SP 500 Stocks
NASDAQ Stocks
OEX Stocks
CAC Stocks
DAX Stocks
SOX Stocks

MSH Stocks
OSX Stocks
All US Indexes
All ETFs
European Stocks
Canadian Stocks
All Equities
My Favorites

You will also note that there is one with the title “My Favorites”. With this selection you have the ability to specify the stocks to be included in the scan. Examples could be your current portfolio, your watch list, takeover candidates or companies that are reporting next week. Of the groups listed above, four require a separate data subscription. They are CAC Stocks, DAX, Stocks, European Stocks and Canadian Stocks.

In the next selection box we have specified stocks over \$10 primarily due to liquidity and option strike price considerations.

Now let’s set up the ranker for the Implied Volatility Index.

Implied Volatility Index

Implied Volatility Index

Historical Volatility

Call/Put IV Index Ratio

Correlation

Scan for option opportunities from the following groups: --All USA

Show stocks with price above: 10

Make final choices based on	IV Index	IV Term	HV Term	Quantity of stocks to be viewed	Display stocks accordingly
<input checked="" type="radio"/> Implied Vola	<input type="radio"/> Call	<input checked="" type="radio"/> 30	<input type="radio"/> 10	<input type="radio"/> 5	<input checked="" type="radio"/> Top ranked only
<input type="radio"/> Implied Vola as a % change from yesterday's IV	<input type="radio"/> Put	<input type="radio"/> 60	<input type="radio"/> 20	<input type="radio"/> 10	<input type="radio"/> Bottom ranked only
<input type="radio"/> Implied Vola as ABS change from yesterday's IV	<input checked="" type="radio"/> Mean	<input type="radio"/> 90	<input checked="" type="radio"/> 30	<input type="radio"/> 15	<input type="radio"/> Top & Bottom ranked
<input type="radio"/> Implied Vola as a % of HV		<input type="radio"/> 120	<input type="radio"/> 60	<input type="radio"/> 20	
<input type="radio"/> Implied Vola as a scaled % of IV Hi/Low range		<input type="radio"/> 150	<input type="radio"/> 90	<input checked="" type="radio"/> 50	
		<input type="radio"/> 180	<input type="radio"/> 120	<input type="radio"/> 100	
			<input type="radio"/> 150		
			<input type="radio"/> 180		

Show

The highlighted “Implied Vola” is the first of the five available scan selections. In the second column we have chosen the Mean IV Index between the calls and puts. If you prefer, you could choose calls or puts. Normally we work with the Mean IV Index. Next, for the IV Term we have highlighted 30, which is the 30 day implied volatility calculation. If we are interested in strategies with much longer time frames then we would chose another IV Term.

Next, for quantity of stocks to be viewed, we have indicated 50 in order to get a good selection from this large - -All USA group.

Finally we have chosen “Top ranked only” for the Display option in the last selection section.

Now push the “Show” button to display the results of the scan.

Implied Volatility Index Scan Results

Implied Volatility Index							
Stock Symbol (Company name)	IV Index Last	IV Index Change	IV Index % Change	52 wk Hi/Low range of IV Index	IV Index Hi/Low scaled range *	Historical volatility	IV Index / HV, %
↑ SPF:NYSE (STANDARD PACIFIC CORP)	174.27	26.60	18.01	174.27 / 37.60	1.00	73.65	236.61
↑ BZH:NYSE (BEAZER HOMES USA INC)	170.52	5.27	3.19	176.04 / 32.27	0.96	95.29	178.95
↑ RDN:NYSE (RADIAN GROUP)	141.96	13.16	10.22	141.96 / 19.92	1.00	86.92	163.33
↑ MDTL:NASDAQ (Medis Technologies Ltd)	141.09	26.54	23.17	141.09 / 54.40	1.00	68.93	204.67
↑ IMB:NYSE (INDYMAC MORTGAGE HLDGS INC)	136.53	-8.22	-5.68	144.75 / 23.19	0.93	50.70	269.31
↑ HOV:NYSE (HOVNANIAN ENTERPRISES [class A])	127.69	11.21	9.63	127.69 / 34.45	1.00	78.07	163.55
↑ RAS:NYSE (RAIT Investment Trust)	126.56	-110.78	-46.67	237.34 / 27.98	0.47	223.41	56.65
↑ IOC:AMEX (InterOil Corp)	123.67	0.96	0.78	156.14 / 66.31	0.64	186.24	66.40
↑ RZ:NYSEArca (Raser Technologies Inc)	112.68	-2.38	-2.07	172.15 / 70.04	0.42	91.01	123.81
↑ CFC:NYSE (COUNTRYWIDE CREDIT INDS INC)	110.44	-15.06	-12.00	125.50 / 20.83	0.86	49.10	224.94

The first ten of the fifty stocks displayed are shown above.

By clicking on the first stock symbol listed SPF, for example, we are taken to the Basic Options and Advanced Options sections of IVolatility.com for further details and analysis of this specific stock. Click the back arrow on your browser to return.

In the next column, “IV Index Last”, we see 174.27 representing the 30 day Mean Implied Volatility Index of 174.27% for SPF as of the close yesterday.

The “IV Index Change” represents the amount change from the previous days IV Index value. In the next column we have the “IV Index % change” from the previous day.

In the next column we show the informative “52 wk Hi/Low range of IV Index”. This is the current IV Index compared to its range for the previous year. For SPF it is at the high end of the range. It is helpful to see where it is relative to the previous year. If we were looking to sell the high IV Index we might decide to wait until we see that it has started to decline. For example, take a look at the eighth stock in the scan, IOC. With a Current IV Index of 123.67 it has declined from the 52 week high of 156.14. This could mean it has reached its high and is now declining. As a seller, this may be a better choice than one that may still be rising.

The next column, “IV Index Hi/Low scaled range”, will give us an indication as to the current relative location of the IV Index in the 52 week range. Again, SPF along with RDN are the top of the range with values of 1.00, while RAS at .47 and RZ at .42 are in the lower part of their respective ranges.

Next we have the all-important Historical Volatility. This represents the annualized rate of change for the stock. For SPF it’s 73.65

The last column, “IV Index/HV, %”, shows the relationship between the IV Index and the Historical Volatility. For SPF the value is 236.61% or the IV Mean Index value is almost 2.4 times higher than the Historical Volatility of the stock. The highest value for this screen was IMB with 269.31 or about 2.7 times higher than the Historical Volatility. By comparison, we can see that the Historical Volatility of RAS at 56.65 and IOC at 66.40 is actually higher than the IV Mean Index. In these cases the stocks have been moving faster than indicated by their Implied Volatilities.

Selecting the Top ranked stocks by volatility would be the scan configuration if we were seeking candidates to research for possible options selling strategies. Alternatively, if we were interested in option buying strategies we would select the Bottom ranked stocks. Further we could alter the scan at the initial selection if we were more interested in “IV Index Change” or “IV Index % Change”. In fact, we could run the scan on any of the five initial listed criteria.

Historical Volatility

Implied Volatility Index **Historical Volatility** Call/Put IV Index Ratio Correlation

Scan for option opportunities from the following groups: --All USA

Show stocks with price above: 10

Make final choices based on	Term	Quantity of stocks to be viewed	Display stocks accordingly
<input checked="" type="radio"/> Historical Vola	<input type="radio"/> 10	<input type="radio"/> 5	<input checked="" type="radio"/> Top ranked only
<input type="radio"/> Historical Vola as a % change from yesterday's HV	<input type="radio"/> 20	<input type="radio"/> 10	<input type="radio"/> Bottom ranked only
<input type="radio"/> Historical Vola as ABS change from yesterday's HV	<input checked="" type="radio"/> 30	<input type="radio"/> 15	<input type="radio"/> Top & Bottom ranked
<input type="radio"/> Historical Vola as a scaled % of HV Hi/Low range	<input type="radio"/> 60	<input type="radio"/> 20	
	<input type="radio"/> 90	<input checked="" type="radio"/> 50	
	<input type="radio"/> 120	<input type="radio"/> 100	
	<input type="radio"/> 150		
	<input type="radio"/> 180		

Show

The next selection tab to the right is used to run the scan for Historical Volatility. Again we have chosen --All USA for the group selection and have specified stocks over 10 for liquidity and option strike price considerations.

The “Term” selected is again 30 and, as in the case of Implied Volatility, we could chose a longer term if that was our objective.

For “Quantity of stocks to be viewed” once again we have selected 50 and we have chosen to display the “Top ranked only”.

Now push the “Show” button to display the results.

Historical Volatility Index Scan Results

Historical Volatility Index					
Stock Symbol (Company name)	HV Last %	HV Change	HV % Change	52 wk HV Hi/Low	HV Index Hi/Low scaled range *
↑ ORMT:PINK (ORMET CORP)	2743.17	0.46	0.02	2743.17 / 1169.93	1.00
↑ RAS:NYSE (RAIT Investment Trust)	223.41	55.70	33.21	223.41 / 11.71	1.00
↑ OLED:NASDAQ (Cambridge Display Technology Inc.)	189.95	0.05	0.03	189.95 / 32.09	1.00
↑ IOC:AMEX (InterOil Corp)	186.24	-0.10	-0.05	186.33 / 32.63	1.00
↑ VXO:CBOE (CBOE OEX Volatility Index)	172.79	6.38	3.83	225.79 / 48.05	0.70
↑ SLFI:NASDAQ (STERLING FINL CORP)	154.30	0.13	0.08	164.44 / 17.55	0.93
↑ QEPC:NASDAQ (Q.E.P. CO INC)	153.60	0.38	0.25	153.86 / 39.43	1.00
↑ VIX:CBOE (CBOE Volatility Index)	146.23	1.23	0.85	206.26 / 42.06	0.63
↑ PHRM:NASDAQ (Pharmion Corp)	140.67	-0.36	-0.26	141.04 / 24.00	1.00
↑ VXD (CBOE DJIA VOLATILITY INDEX)	138.98	-0.34	-0.24	215.69 / 44.03	0.55

As with the IV section above, when we select a stock symbol we are taken to the Basic Options and Advanced Options sections of IVolatility.com for further details and analysis of the specific stock.

For this scan once again we selected “Top ranked only” and our display shows the stocks with the highest rate of change. These are ranked in the “HV Last %” column displaying the current annualized percentage rate of change.

The next column “HV Change” is the absolute value of change from the prior day and “HV % Change” is the percentage change from the prior day.

As in the IV section above we are also provided with the “52 wk HV Hi/Low” showing the range of the Historical Volatility for the past 52 weeks and the “HV Index Hi/Low scaled range” for the period.

We can change the scan criteria at the initial selection and run the scan on any of the four available criteria for Historical Volatility.

Call/Put IV Index Ratio

Implied Volatility Index Historical Volatility **Call/Put IV Index Ratio** Correlation

Scan for option opportunities from the following groups:

Show stocks with price above:

Make final choices based on	Term	Quantity of stocks to be viewed	Display stocks accordingly
<input checked="" type="radio"/> IV Index Call / IV Index Put	<input checked="" type="radio"/> 30 <input type="radio"/> 60 <input type="radio"/> 90 <input type="radio"/> 120 <input type="radio"/> 150 <input type="radio"/> 180	<input checked="" type="radio"/> 5 <input type="radio"/> 10 <input type="radio"/> 15 <input type="radio"/> 20 <input type="radio"/> 50 <input type="radio"/> 100	<input type="radio"/> Top ranked only <input type="radio"/> Bottom ranked only <input checked="" type="radio"/> Top & Bottom ranked

Show

The next tab to the right at the top of the Advanced Ranker is the Call/Put IV Index Ratio. For this scan we are again using 30 for the term, but this time we are going to list the top and bottom 5 stocks in our display.

We push the “Show” button to display the results.

Call/Put IV Index Ratio			
Stock Symbol (Company name)	IV Index Call	IV Index Put	Volatility Skew
↑ ELE:NYSE (ENDESA S.A.)	9.45	6.85	1.38
↑ CDD:ISE (ISE Canadian Dollar FX)	9.51	7.13	1.33
↑ NYC:NYSE (iShares NYSE Composite Index)	21.23	16.39	1.30
↑ PHJ:AMEX (PowerShares High Growth Rate Dividend Achievers Portfolio)	14.18	11.10	1.28
↑ FXD:AMEX (First Trust Consumer Discretionary AlphaDEX Fund)	18.20	14.39	1.26
↓ DBA:AMEX (PowerShares DB Agriculture Fund)	17.05	21.61	0.79
↓ XLP:AMEX (Consumer Staples Select Sector)	13.80	18.08	0.76
↓ BPX:ISE (ISE British Pound FX)	6.78	8.93	0.76
↓ PTH:AMEX (PowerShares Dynamic Healthcare Sector Portfolio)	9.29	13.82	0.67
↓ ANDW:NASDAQ (ANDREW CORP)	8.57	12.84	0.67

In the far left column we see up and down arrows indicating our search result for the top 5 with up arrows and the bottom 5 with the down arrows.

As in the first two sections above, selecting the stock symbol takes you to the Basic Options and Advanced Options sections of IVolatility.com for further details and analysis of this specific stock.

The next two columns display the IV Indexes of the Calls and the Puts while the final column shows the ratio of the calls divided by the puts. This is often referred to as volatility “skew” and occurs where two options on the same underlying asset have measurable differences in implied volatility. In this scan we identified the skew between calls and puts. The first five calls have IV Indexes higher than the put IV Indexes and in the last five they are reversed as the put IV Indexes are higher than the calls.

Correlation

Implied Volatility Index Historical Volatility Call/Put IV Index Ratio **Correlation**

Scan for option opportunities from the following groups: --DJIA stocks

Show stocks with price above: 10

Make final choices based on	Term	Quantity of stocks to be viewed	Display stocks accordingly
<input checked="" type="radio"/> against the Index	<input type="radio"/> 10	<input checked="" type="radio"/> 5	<input type="radio"/> Top ranked only
	<input type="radio"/> 20	<input type="radio"/> 10	<input type="radio"/> Bottom ranked only
	<input checked="" type="radio"/> 30	<input type="radio"/> 15	<input checked="" type="radio"/> Top & Bottom ranked
	<input type="radio"/> 60	<input type="radio"/> 20	
	<input type="radio"/> 90	<input type="radio"/> 50	
	<input type="radio"/> 120	<input type="radio"/> 100	
	<input type="radio"/> 150		
	<input type="radio"/> 180		

Show

Here is the set up for the correlation example. This time we are going to use the Dow Jones Industrial Index as our group selection and we are going to compare the individual components of the DJIA with the SPX which is the specified Index for US stocks. We have selected 30 as the “Term”, meaning the past 30 days. We are interested in seeing the top and bottom 5 stocks in the DJIA Index compared to the SPX.

Once more we push the “Show” button for the results.

Correlation	
Stock Symbol (Company name)	Correlation, %
↑ C:NYSE (Citigroup Inc)	89.18
↑ GE:NYSE (General Electric Co)	87.71
↑ WMT:NYSE (WAL-MART STORES INC)	86.99
↑ AXP:NYSE (AMERICAN EXPRESS COMPANY)	86.72
↑ XOM:NYSE (EXXON MOBIL CORP)	85.73
↓ GM:NYSE (GENERAL MOTORS CORP)	57.77
↓ BA:NYSE (BOEING CO)	53.93
↓ CAT:NYSE (CATERPILLAR INC)	53.43
↓ IBM:NYSE (INTL BUSINESS MACHINES CORP)	51.50
↓ VZ:NYSE (VERIZON COMMUNICATIONS)	40.52

We can see the top 5 stocks that are best correlated with the SPX and we also see the 5 stocks that are the least correlated over the past 30 days. For example, in a declining market environment a low positive correlation value such as VZ at 40.52 would indicate that this stock is outperforming the broader market index in that it is not declining as fast as those that have higher positive correlation.

The available combinations of possible correlation provide many opportunities for direction trading as well as hedging.