

Forecast Volatility Gap Rank

Short-history forecast-versus-implied volatility diagnostics across listed equity underlyings.

FAMILY Option-volatility cross-section	UNIVERSE Listed equity underlyings with local option-volatility fields	RESEARCH HORIZON 63d
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Executive Summary

Forecast Volatility Gap Rank evaluates whether a forecast-versus-implied volatility gap helps rank listed equity underlyings. The strongest diagnostic row is 63d, with the spread and rank IC improving as the horizon lengthens.

Preferred horizon	63d
63d rank spread	4.39%
Rank IC	0.027
Long-leg return	11.41%
Underlying count	1,577

Observations

1. Spread formation improves as the tested horizon lengthens.
2. Rank IC is materially stronger at the 63d row than in the short-horizon rows.
3. The signal remains secondary because the local option-volatility history starts in 2019.

Data and Research Setup

The setup evaluates option-volatility ranking diagnostics on listed equity underlyings over the available local history.

UNIVERSE

Listed equity underlyings with local implied-volatility and realised-volatility fields. Current instruments are not shown.

INPUTS

Historical option-volatility fields and forward underlying returns aligned to a common research date grid.

COMPARISON BASIS

Displayed rows use the same universe, date grid and forward-return convention across tested horizons.

OUTPUT BOUNDARY

The figures are short-history research diagnostics. They do not present current option positions or instrument rankings.

Signal Methodology

Without disclosing the exact functional, the construction proceeds along three conceptual steps.

STEP 1

Volatility-gap evidence

The construction measures a peer-relative volatility gap without disclosing the exact functional form.

STEP 2

Cross-sectional ranking

Underlyings are ranked against peers within the available option-volatility research panel.

STEP 3

Forward evaluation

Ranked groups are compared over fixed forward horizons to measure top-minus-bottom behaviour.

The description is intentionally conceptual. Formula details, exact construction rules and implementation parameters are not disclosed.

Results and Horizon Context

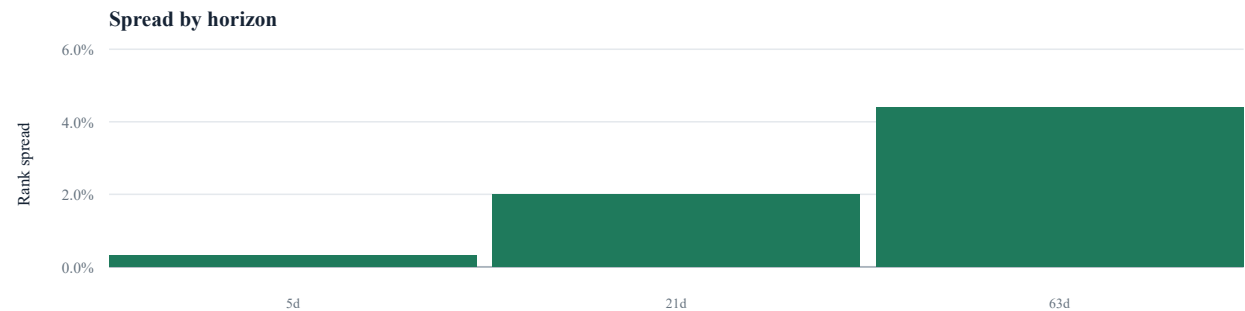


Figure 1. Top-minus-bottom spread across tested option-volatility horizons. The chart is a horizon diagnostic, not a cumulative portfolio return path.

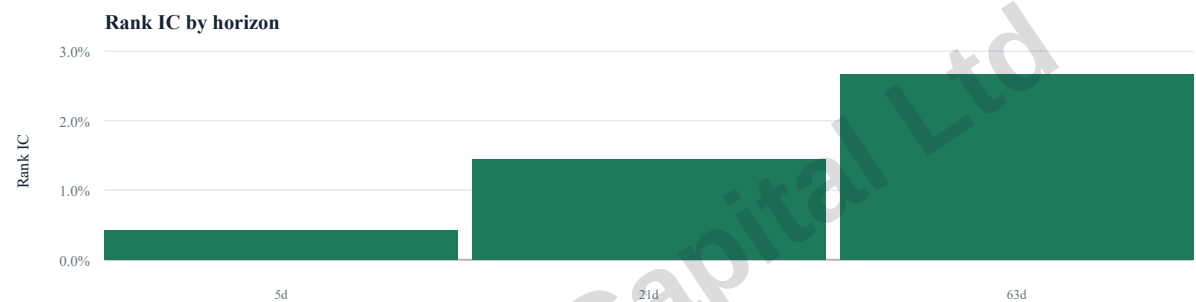


Figure 2. Spearman rank IC across the same tested horizons.

Horizon	Rank spread	Rank IC	Long-leg return	Turnover
5d	0.33%	0.004	0.91%	not estimated
21d	2.00%	0.014	4.06%	not estimated
63d	4.39%	0.027	11.41%	not estimated

Local option-volatility history starts in 2019, so the note is retained as secondary short-history evidence.

Stability and Robustness

Robustness is assessed from the horizon shape and the fraction of positive yearly splits available in the short-history panel.

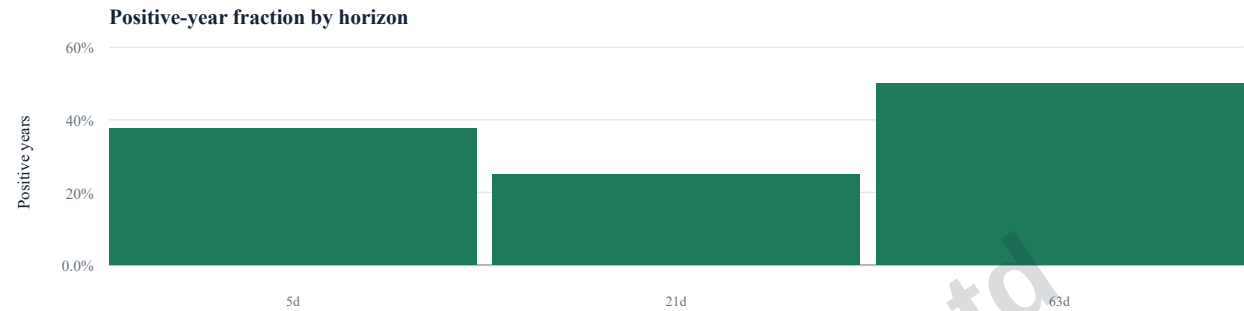


Figure 3. Fraction of yearly splits with positive top-minus-bottom spread across tested horizons.

Horizon	Rank spread	Positive years	Available history
5d	0.33%	37.50%	7.1 years
21d	2.00%	25.00%	7.0 years
63d	4.39%	50.00%	6.8 years

The preferred row uses roughly 6.8 years of available local option-volatility history. That is useful for secondary research context but not long enough to support a broader conclusion.

Research Interpretation

Forecast Volatility Gap Rank is retained in the research library as a secondary option-volatility research candidate.

ROLE

Secondary research candidate.

CAPTURES

Relative mismatch between expected volatility and market-implied volatility across underlyings.

USE

Option-volatility comparator or filter candidate inside broader systematic allocation research.

LIMITATIONS

Local option-volatility history starts in 2019, so the note is retained as secondary short-history evidence. The note does not disclose construction details, current underlyings, execution assumptions or product suitability.