

As a premium seller, implied volatility is the single most important environmental factor you track. Selling options when IV is elevated is what creates your structural edge. Both IV Rank and IV Percentile help you answer the same core question — is implied volatility high or low right now relative to history? They just answer it differently, and understanding the distinction makes you a more informed trader.

### IV Rank — Where Are We in the Range?

IV Rank measures where current implied volatility sits within its 52-week high-to-low range. The formula is straightforward: subtract the 52-week IV low from the current IV, then divide by the difference between the 52-week high and low. The result is expressed as a percentage from 0 to 100.

If a stock has a 52-week IV low of 20 and a 52-week IV high of 60, and current IV is 50, the IV Rank is 75. That tells you current IV is three-quarters of the way up its annual range — relatively expensive premium. If current IV were sitting at 25, IV Rank would be near the bottom of that range, suggesting cheap premium and a poor environment for selling.

IV Rank answers: how does today's IV compare to the highest and lowest levels of the past year? A rank of 50 or above generally signals a favorable environment for premium sellers.

### IV Percentile — How Often Has IV Been This High?

IV Percentile takes a different approach. Rather than comparing to a range, it looks at frequency. It measures the percentage of trading days over the past year on which implied volatility was lower than it is today. An IV Percentile of 75 means IV has been below its current level on 75% of trading days over the past year — in other words, today's IV is higher than most days.

Metric	What It Measures	Limitation
<b>IV Rank</b>	Where current IV sits within the 52-week high-to-low range	One extreme spike can skew the range and make elevated IV appear low
<b>IV Percentile</b>	Percentage of days over the past year that IV was lower than today	Does not capture the magnitude of the move, only the frequency

**Which one should you use?** IV Rank is the more widely used measure and is what most platforms display. It is a reliable signal for identifying elevated premium environments. IV Percentile provides useful context when a single volatility spike has distorted the annual range. When in doubt, use both — they tell the same story from two different angles, and when they agree, your conviction in the setup should be higher.

## Good Luck and Great Trading,

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*Past performance is not indicative of future results. Options trading involves risk. This material is for educational purposes only and is not investment advice.*