

# The Forecasting Performance of Implied Volatilities on Individual Equity Options

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## **Abstract**

For equity fund managers the attribution and control of risk is a central function requiring appropriate volatility forecasts on individual assets over a number of forecast horizons. This paper assesses the predictive ability of artificial implied volatility estimates against forecasts provided by GARCH and E-GARCH for a range of FTSE-100 stocks. From the evidence shown here, implied volatility forecasts are superior to alternative methodologies over both short- and medium-term forecast horizons. This finding supports the use of individual equity options data in formulating an optimal rebalancing strategy for equity portfolios.