

Circular Indicator (CI)

The CI was developed to measure the risk of returns in share market investments. It mitigates the weakness of the widely applied techniques, the β factor and the Standard Deviation in measuring risk of returns. The development of the CI was based on the theory of Uniform Circular Motion. It is given by the equation

$$F_{i,t} = r_{i,t} \cdot \omega_{i,t}^2$$

Where $F_{i,t}$ is the force making returns to be in a circular motion of a company i at time t , $r_{i,t}$ is the radius of the circular motion of i^{th} particle at time t and $\omega_{i,t}$ is the angular speed of the circular motion at time t .

The $F_{i,t}$ can be taken as the stability indicator of the market performances. That is; larger the $F_{i,t}$, higher the relative stability of a company in market performances.