

Assume the pool has fee tier given by  $\gamma$ . For instance, for a 30 bps pool,  $\gamma = 1.0 - 0.003$ .

If we sell  $\Delta X$  units of  $X$  into the pool, then we receive  $\Delta Y$  given by

$$(X + \gamma \Delta X) \cdot (Y - \Delta Y) = X \cdot Y, \quad (1)$$

which implies firstly that,

$$\Delta Y = \frac{Y \cdot (\gamma \Delta X)}{X + \gamma(\Delta X)}.$$

Secondly, the “touch price” of the pool defined by the invariant  $X \cdot Y = k$  is given by

$$\left| \frac{\partial Y}{\partial X} \right| = \frac{Y}{X}.$$

So after the swap in Equation (1), the price of the pool is given by

$$P = \frac{Y - \Delta Y}{X + \gamma \Delta X} = \frac{X \cdot Y}{(X + \gamma \Delta X)^2}. \quad (2)$$

Re-writing this in terms of known quantities:

$$\gamma^2 (\Delta X)^2 + 2\gamma X (\Delta X) + \left[ X^2 - \frac{k}{P} \right] = 0. \quad (3)$$

Solving this quadratic yields:

$$\Delta X = \frac{-2\gamma X \pm \sqrt{4\gamma^2 X^2 - 4\gamma^2 \left[ X^2 - \frac{k}{P} \right]}}{2\gamma^2} = \frac{-2\gamma X \pm 2\gamma \sqrt{\frac{k}{P}}}{2\gamma^2} = \frac{-X \pm \sqrt{\frac{k}{P}}}{\gamma}. \quad (4)$$

In fact, a better way of writing this is:

$$\Delta X = \frac{-X \pm \sqrt{\frac{X^2 \left( \frac{Y}{X} \right)}{P}}}{\gamma} = \frac{-X \pm X \sqrt{\frac{\hat{P}}{P}}}{\gamma}. \quad (5)$$

where  $\hat{P} = \frac{Y}{X}$  is the current price of the pool pre-swap.

If  $P < \hat{P}$ , then we need to sell  $\Delta X > 0$  into the pool to move the price to  $P$ . Since  $\frac{\hat{P}}{P} > 1$  in this case, we have

$$\Delta X = X \left[ \frac{\sqrt{\frac{\hat{P}}{P}} - 1}{\gamma} \right]. \quad (6)$$

Now if  $P > \hat{P}$ , we need to sell  $\Delta Y$  into the pool. Luckily everything is symmetric, and the amount we need to swap is

$$\Delta Y = Y \left[ \frac{\sqrt{\frac{\hat{P}}{P}} - 1}{\gamma} \right]. \quad (7)$$