

MuonSwap AMM design proposition

The goal is to have cross-chain liquidity, but one issue comes it how to incentive rebalance between chains of liquidity.

A solution that is proposed is to think of every tokenA in a virtual stablepool, every tokenB in another virtual stable pool, and use every token A vs every token B in a UNI-V2 computation.

We have 2 LP on chainA and chainB with token XX and YY.

$$XXa * YYa = ka$$

$$XXb * YYb = kb$$

Each chain has a weight, w_a for chainA and w_b for chainB, where $w_a + w_b = 1$, p and q are updated each week.

$$XXa / (XXa + XXb) / w_a$$

Compared to uniswap contract

```
function quote(uint amountA, uint reserveA, uint reserveB) internal pure returns (uint amountB) {
```

In the following, x is $reserveA$, and y $reserveB$

a) User swap XXa for YYa

We input $x = XXa$ and $y = (XXa + XXb) * w_a$ in the stablepool computation, $spread1 = (outputamount - x) / x$

We input $x = (XXa + XXb) * w_b$ and $y = XXb$ in the stablepool computation, $spread2 = (outputamount - x) / x$

We input $x = XXa + XXb$ and $y = YYa + YYb$ in the stablepool computation, $finalAmountOut = outputAmount * (1 + spread1 + spread2)$

b) User swap XXa for XXb

We input $x = XXa$ and $y = (XXa + XXb) * w_a$ in the stablepool computation, $spread1 = (outputamount - x) / x$

We input $x = (XXa + XXb) * w_a$ and $y = XXa$ in the stablepool computation, $finalAmountOut = (outputamount - x) * spread1 / x$

c) User swap XXa for YYb

We input $x = XXa$ and $y = (XXa + XXb) * w_a$ in the stablepool computation, $spread1 = (outputamount - x) / x$

We input $x = (YYa + YYb) * w_b$ and $y = YYb$ in the stablepool computation, $spread2 = (outputamount - x) / x$

We input $x = XXa + XXb$ and $y = YYa + YYb$ in the stablepool computation, $finalAmountOut = outputAmount * (1 + spread1 + spread2)$

d) User add XXa + YYa (provide liquidity)

To incentive, users to add liquidity on the right chain.

We input $x = XXa$ and $y = (XXa + XXb) * w_a$ in the stablepool computation, $spread1 = (outputamount - x) / x$

We input $x = YYa$ and $y = (YYa + YYb) * w_a$ in the stablepool computation, $spread2 = (outputamount - x) / x$

$$LP_{amountReceived} = LP * (1 + spread1 + spread2)$$

e) User removes XXb + YYb (withdraw liquidity)

To incentive, users to remove liquidity on the right chain.

We input $x = (XXa + XXb) * w_b$ and $y = XXb$ in the stablepool computation, $spread1 = (outputamount - x) / x$

We input $x = (YYa + YYb) * wb$ and $y = YYb$ in the stablepool computation, $spread2 = (outputamount - x) / x$

On the same principle as d)

$TokenamountReceived = Token * (1 + spread1 + spread2)$

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In the example I use $XXa + XXb$, but if there is a chain C, it is replaced by $XXa + XXb + XXc$.