The Arbitrum STIP can be very juicy if you use it right.

Here is the best stable strategy to farm the STIP

WITH 0 risk (Almost)

On @dolomite

1. The WUSDM market on @dolomite offers the highest ARB yield distributed in both vanilla ARB & oARB.

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1. With @dolomite, you can zap (flashloan) to take leverage. With an LTV of 86.95%, you can take up to x7.66 leverages. Maxing out, you can get more than 140% APR.

The problem with leverage is, of course, the surge in borrowing interest rates.

So, we need to minimize the borrowing rate.

But counterintuitively, we will borrow the most expensive asset – USDC

and here is why

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1. You can hedge your borrow rate buying dUSDC YT on pendle

Which is priced at 16.5% APR

1 dUSDC YT is treated as 1 USDC deposited into dolomite. This not only gives you the lending yield, but also gives you an extra 6.33% yield in oARB. The latter part is not shown in the underlaying yield. If you count it in, the YT is still undervalued.

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1. Lending yield is determined by Utilization rate to Borrowing rate

On Dolomite, it is related to the borrow rate this way

Lend\_rate = Borrow\_rate\*Utilization\_Rate\*0.85

Using this formula, we can safely hedge the borrowed amount using YT

1. Since borrow rate will only surge after passing 90% utilization rate, we can set the utilization rate as 90% in our calculation or if you want to play it safe, you can always set it lower and buy more YTs.

What this YT does is essentially counter the flucuation in borrow rate, giving you fixed borrow rate.

Lets look at 2 example

1. First, right now, USDC is rocking 24% borrow rate w/ 91% utilization rate.

Buying YT right now, at 0.02794, costs you $216.73 and will give you $333.3 in return if the rate persists. After 63 days, you can get $116 sheer yield.

Giving you Total APR of 73.3%

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1. If the average rate goes down to 14% w/ utilization at 0.9 (Optimal rate). You will get less yield, but paying much less interest as well. Still rocking 73% APR

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1. If the average rate goes down further to 11%. At this time, utilization likely will go down further. But in the worst scenario, utilization rate is at freaking 100%. You are still getting that 68% APR.

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1. Why? Cuz you bought those damn YTs right now!

Get some YTs and don’t worry about borrow rates anymore.