

## Holding in Dynamic TAO (dTAO): Why and How It's Encouraged

*Disclaimer: The following is for informational purposes only and does not constitute financial advice.*

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### 1. Context

In **Dynamic TAO (dTAO)**, each subnet launches its own “Alpha” token, which trades against TAO in a constant product AMM. As the network transitions to alpha from root, the logic of how new tokens are created and distributed changes in a few important ways:

1. **Market-Determined Emissions**

Subnets that demonstrate higher Alpha prices receive more TAO. This creates a positive feedback loop for holders: if Alpha is in demand, the subnet receives more TAO, potentially boosting its yield—and thereby encouraging more staking/holding.

2. **Subnets' Emission Halving**

Alpha tokens follow an accelerated ~2-year halving cycle. Early entrants in Alpha can capture potentially higher yields before each halving, which incentivizes them to hold over that longer timescale.

3. **Root Proportion Gradually Declines**

Initially (Launch February 12, 2025), a large share of new Alpha is auto-sold back to TAO for root stakers—creating downward pressure on Alpha's price. **Over time**, the fraction that root holds decreases, shrinking that sell-pressure. This dynamic fosters an incentive to hold: Alpha's price can improve as the forced selling diminishes.

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### 2. Why Hold TAO or Alpha?

1. **Future Emissions & Utility**

Holding TAO or Alpha means continued eligibility for newly minted tokens. In dTAO, subnets with stronger fundamentals (and thus higher Alpha prices) attract more TAO emissions—potentially elevating the returns for holders.

2. **Avoiding Missed Halvings**

If you periodically sell and re-buy, you can easily miss out on a window of higher emission rates before the next halving. By holding through multiple tempos/epochs, you remain engaged in each wave of emission, which can compound your stake.

3. **Staking for Additional Rewards**

Both TAO (on root) and Alpha (in subnets) can be staked to earn yield. The simpler approach—TAO staked on root—requires less volatility risk but sees gradually declining yield. Meanwhile, staking Alpha can earn higher APY if the subnet's token gains traction.

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### 3. Disclaimers for TrustedStake Users

- **Not a Guarantee:** Holding doesn't guarantee a profit. Both TAO and subnet tokens are volatile.
- **Selling Pressures Vary:** Early subnets see heavier downward price pressure from root's "auto-sell" portion. This typically decreases over 1–2 months, but *timing is uncertain*.
  - For a deeper dive into how these dynamics work, including the mechanics behind reward distribution and the gradual shift from root's auto-sell to a more balanced token supply, [learn more about Root Proportion here](#).
- **Halving Cycles:** Each halving reduces daily emissions, so if a subnet doesn't attract adoption, its token price may stall even with reduced supply growth.
- **Risk Management:** By continuing to hold, you are exposed to both upside and downside risk. Perform your own research and consider diversifying.
- **No Financial Advice:** Nothing here is financial advice. dTAO tokens are experimental and remain subject to major technical and market shifts.

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**In short**, dTAO's mechanics reward patience: continuous token emissions, the diminishing root sell-pressure, and multi-year halvings create reasons for long-term holding. However, *all participants should understand the inherent volatility, the gradual shift in rewards, and the need for careful consideration* before using TrustedStake or any dTAO service.