



Injective — Research Document (00.03.24)

Market

- Injective addresses the need for an interoperable Layer-1 blockchain optimized for DeFi applications, offering financial primitives like a fully decentralized orderbook.
- Derivatives in DeFi represents \$2.907Bn or 1.548% of the total value locked. (DeFillama)
- Currently, DeFi's dominance in crypto market is 4.5%. From October 2023, there has been a rise from 3.2% to 4.5% (\$20Bn)
- Regarding volumes and TVL, Injective is respectively standing at the 19th and 40th and place in chains market (Defillama)

<https://defillama.com/chains>

- Regarding the fees, Injective has generated 404,970\$ last week which mean 57,852\$ a day (24h). This would place Injective between Doge and Avalanche chain. (Defillama+injective Hub)

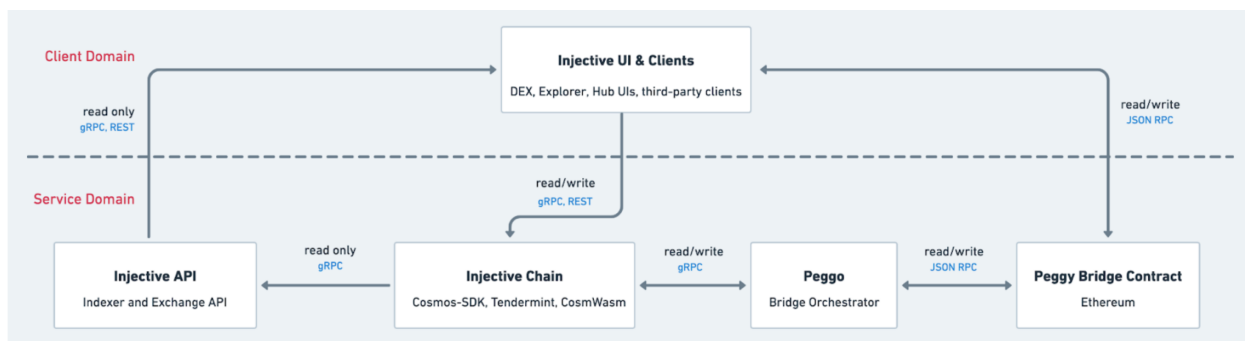
<https://defillama.com/chains>

<https://hub.injective.network/auction/139>

- Helix is clearly the biggest DEX in Injective ecosystem: 9.26x TVL than Astroport (2nd biggest TVL) and 23.6x Volumes than Astroport as well (2nd biggest in Trading Volume).

Product & Competition

- From a very high point of view, Injective product design can be described by four pillars:
 - Injective Chain nodes
 - Injective's bridge smart contracts and orchestrator
 - Injective API nodes
 - Injective dApps and tooling



<https://www.binance.com/en/research/projects/injective>

- The Injective Hub is the platform and gateway for interacting with Injective, offering wallet, governance, staking, and INJ burn auction functionalities

<https://hub.injective.network/>

- Since I'm not a developer, it would be hard me to judge how is it to develop smart contracts with Cosmos SDK and CosmWasm programming language.
- Not very aesthetic but very easy UX to start with. Trade and Liquidity pools are directly on website.

<https://helixapp.com/swap>

- Lets compare INJ valuations with popular ecosystems within the Cosmos hub with a simple Mcap/ TVL metric.

Rank	Name	Number of protocols	TVL (en M\$)	Marketcap/TVL
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1	Cronos	104	349.7	7.14
2	Kava	134	245.14	3.63
3	Osmosis	12	230.74	4.98
4	Thorchain	2	180.1	8.68
5	Kujira	14	116.22	4.94
6	Canto	22	62.16	3.2
7	Neutron	4	48.3	15.27
8	Terra2	13	29.88	5.78
9	Secret	9	21.08	5.83
10	Injective	11	20.2	23.6

Injective has a Mcap/TVL ratio of 23.6, which is higher than almost any by a large margin.

<https://defillama.com/>

<https://coinmarketcap.com/>

- Let's now compare with more specific direct competitors which are Osmosis and Kujira. Why? Osmosis and Kujira are two distinct and popular appchains/ Defi applications that operate within the Cosmos ecosystem, each with its own unique features and offerings.
 - Osmosis is a AMM enabled spot DEX that allows for the creation of liquidity pools and facilitates the trading of IBC-enabled tokens.

<https://osmosis.zone/>

- Kujira is a Cosmos Layer 1 blockchain platform that prioritizes community-selected projects

<https://kujira.network/>

- Table comparison:

Name	TVL (in M\$)	Marketcap (in M\$)	Fully diluted marketcap (in M\$)
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Osmosis DEX	214.28	859.50	1,610.5
Kijura	161.15	520.08	520.3
Injective	134.80	3,704.8	3,966.5

- From the derivative space, the main competitors are GMX, dYdX (chain) and synthetix. However, These protocols are still far ahead of Injective regarding TVL, volumes and fees generated.
 - As an example, It has achieved over \$16 billion in total trading volumes, with a TVL of \$10 million, marking it as the largest dApp in the ecosystem. For context, the dYdX chain, now part of the Cosmos ecosystem, has a TVL of \$349 million and a cumulative volume of more than \$1 trillion (dYdX V3+V4)

https://x.com/HelixApp_/status/1742672900178546765?s=20

<https://tokenterminal.com/terminal/projects/dydx>

Value Creation / Traction

Current Injective datas

- Date: 09/03/2024
- Price: 39.64\$
- Current Token Value Locked: 143,800,000\$
- Current Cumulative Volume (365d): 6,695,000,000\$ (Volume 7D extended)
- Current circulating marketcap: 3,702,853,001\$
- Current fully diluted marketcap: 3,962,542,761\$
- Cumulative fees generated by Injective over the last 365d: 21,000,000\$

<https://hub.injective.network/auction/139>

<https://coinmarketcap.com/currencies/injective/>

Comparison with other DEXs

Protocol	Injective	Synthetix	dYdX (v3)	GMX
P/F (circulating)	176.32	33.5	29.4	4.0
P/F (fully diluted)	186.97	34.2	69.1	4.2
P/S (circulating)	440.8	33.5	29.4	13.8
P/S (fully diluted)	467.43	34.2	69.1	14.5

Observation: Injective is from far the overpriced project regarding its competitors. The very high marketcap combined with small (relative to its competitors) ends with very high P/F and P/S ratios. However, GMX and its specific tokenomics has the best ratios out there.

The burning mechanism where 60% of the fees are used to BuyBack & Burn Injective tokens lets already a smaller part of the cake to distribute rewards for Injective players.

Token: Value Capture & Accrual

INJ Token Overview

- **Initial Supply:** The INJ token was launched with an initial supply of 100 million tokens.
- **Inflation Rate:** The inflation rate was targeted at 7% at the genesis of the token, with a plan to decrease it to 2% over time to manage supply growth.

Governance

- **Token Utility:** INJ serves as the governance token for the Injective Chain, enabling token holders to participate in key ecosystem decisions.
- **DAO Participation:** Holders of INJ can propose new market listings and engage in other governance decisions, contributing to the decentralized management of the protocol.
- **Community-Driven Governance:** The Injective Labs team abstains from voting to ensure that governance remains in the hands of the community, promoting a democratic and decentralized governance structure.

Deflationary Mechanism

- **Buyback and Burn:** A buyback and burn mechanism is in place where 60% of the fees collected from the ecosystem are used to purchase INJ tokens, which are then burned.
- **Supply Reduction:** This deflationary process is designed to reduce the total supply of INJ tokens over time, potentially increasing scarcity and value.
- **Burn till date** A total of 5.8 million \$INJ tokens worth \$241 million have been burned so far through auctions.

<https://hub.injective.network/auction/>

INJ Burn 2.0 Upgrade

- **Enhanced Token Burn:** The INJ Burn 2.0 upgrade allows all dApps built on Injective to contribute to the INJ burn auction, with no limits on the amount they can burn.

<https://blog.injective.com/en/inj-burn-2-0/>

- **Economic Impact:** This upgrade is intended to strengthen the on-chain economy by capturing value from all dApps across the Injective ecosystem, further aligning the interests of various stakeholders.

Tendermint-based Proof-of-Stake (PoS) Security:

- INJ is used to secure the Injective blockchain using a proof-of-stake mechanism. Validators and delegators can both participate in staking. The current staking APR is 15.14%.

<https://explorer.injective.network/>

Developer Incentives:

- 40% of fees generated by users on dApps built on Injective go directly towards incentivizing new developers building on Injective which brings an ever growing funnel of builders to Injective.

Team / Community

- Injective has been co-founded by Eric Chen and Albert Chon. Eric Chen is a Former Researcher at Innovating Capital, Former Product Manager at Splash, Bachelor's Degree from NYU Stern School of Business and Alber Chon is former Software Development Engineer at Amazon, Former Consultant at Open Zeppelin, Former Researcher at Stanford Parallel Distributed Processing Lab, Master of Science at Stanford University.

<https://www.linkedin.com/in/ericchenmelt/>

<https://www.linkedin.com/in/albertchon/>

- So, Injective Labs is directed by people that have proved their competences in the past in world class companies
- Injective Venture Group: It's a group of prominent institutions and venture funds that have come together to back the future of Web3.
 - Institutions: Jump, Delphi Digital, Kucoin Venture, Pantera Capital, Kraken Ventures, IDG Capital.
 - Goal: support promising projects building within a diverse array of sectors including interoperability, DeFi, trading, PoS infrastructure, rollups and scalability solutions.
 - Leverage the 150M\$ raised by Injective during several rounds

Volan mainnet Upgrade

<https://hub.injective.network/proposal/314/>

The Injective Volan Mainnet Upgrade, referred to as Proposal 314, is a planned update for the Injective blockchain network. This upgrade is significant will temporarily halt the blockchain at a specific block height and then restart with a new version of the software. The key enhancements of this upgrade include:

- A Real World Asset (RWA) Module, which introduces a new way to create and manage assets that represent real-world financial products, such as tokenized fiat currencies or credit products, in a compliant manner.
- Improved cross-chain functionality through IBC Hooks and Packet Forward Middleware, enabling more complex transactions across different blockchain networks.

- A reduction in on-chain inflation parameters, which is expected to make the INJ token more scarce and potentially more valuable over time.
- Enhanced scalability with new enterprise APIs that aim to reduce latency, particularly for institutional participants.
- The addition of exotic oracle feed designs, which will allow for the integration of off-chain price feeds, enabling the launch of unique assets and markets on Injective.
- Expanded functionality for burning bank tokens generated on Injective, and integration of EIP712 V2 for better Ethereum wallet integrations and developer experience.