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THE STA-KING



Just when you thought it couldn't get any worse, a ticking time bomb could go off at any moment that would devastate the ecosystem for years to come. The asset in question: stETH. Lido's Ether derivative, which represents ETH staked on the Beacon Chain, has been challenging the robustness of the protocol for weeks. Following the implosion of the Terra ecosystem, the asset began to gradually lose its parity against ETH, as immense selling pressure knocked the derivative off its 1:1 peg.

Over the last few days, stETH has bled even more against the underlying asset as bad news has piled on bad news. Exchanges, VC funds, and protocols continue to collapse across the ecosystem as the Great De-leveraging unfolds. Celsius was the first to fall, Maker vaults are liquidating, and rumors of 3 Arrows Capital being insolvent abound.

StETH, considered to be one of the safest assets on the market, has one major flaw. Lido users aren't able to redeem their stETH for ETH until well after the Merge. Given the recent deflation of the Ethereum difficulty bomb, the continued delay of the Merge, and the extreme fear in the macro environment, it's easy to see how a run of this magnitude has occurred.

It's hard to say if we have seen the end of this economic disaster. As more institutions blow up, as more protocols implode and more people get hurt, the death spiral accelerates as fear seeps in. Only the battle-hardened will survive this brutal winter. Only the brave will see it through the night. Only the settlers will remain.



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