The aim of this report is to investigate the possibility of combining the transmuter and liquidity provision into one thing, how that would be done, the potential benefits and the potential problems.

Outline

The Alchemix transmuter takes in AL(coin(eth/dai/btc/…)) (ALC) and converts that into (coin) (C) over time.

The curve pool provides liquidity to the project allowing the swapping between ALC and C

The coins that people want are the C coins denominated in an ALC debt, so people borrow coins and sell the ALC into curve so they can get out the C that they really wanted.

Alchemix allows the repayment of debt in ALC or C so the liquidity is only needed on one side of the bridge from ALC to C as that is most of the direction of the swap (if you exclude arbitrage).

The opportunity:

To combine the stability feature (transmuter) with the LP provision to increase the capital efficiency, boost liquidity and provide better returns for the LPers

Ma vision ser if you would please:

So, u get a curve pool w a 10:5:85 ratio for ALC:C:yearnC(ratio included so as the dai returns go up the overall liquidity in the system increases and the LPers get more mulah)

How it gets used:

#people borrowing#

As people borrow they can choose to automatically swap into C

But if ur making a thiccc purchase then if its over x% of the C amount then there it dips into the yearn pool (more detail later)

#daily yearn call thingy#

When the yearn value yield thingy is run:

Pays down debts

“buys” up enough ALC to keep the ratio (not a swap just removes it from the pool)

Removes enough yearnC from the yearn vault to keep that 5% peg for the C side

#lpers#

Deposit ALC or C or yearnC

Gets LP token…

how did you think is was going to work?

effects of this:

* the LPers make more money, cus most of their C position is being yield farmed
* better liquidity because there is more C/yearnC available to buy
* there is more C in the ALCX system meaning even more boosted yield for the borrowers

how the hybrid pool works

swaps to ALC are handled normally

swaps from ALC are where it gets funky

if the swap amount if > some x% of all the C in the pool then in a ratio of 5:85 C:yearnC the coins are swapped for removing some liquidity from the yearn valut. This is done because if your gonna be making a thiccc transaction then you don’t care about the cost to remove the LP from yearn.

Things that need more thought:

The 10:5:85 ratio

The x% in the pool