

# Curve Finance: Analysis of Decentralized Exchange for Stablecoins

## Introduction:

Curve Finance is a decentralized exchange that operates on the principle of an automated market maker (AMM) to manage liquidity. Launched in January 2020, Curve has gained prominence within the decentralized finance (DeFi) space and has experienced notable growth in the latter half of 2020. This report aims to provide insights into the activity and performance of Curve Finance, based on observations and data analysis.

## 1. Curve's Growth and Development:

Curve Finance gained significant traction in the DeFi sector since its inception. In August, Curve introduced a decentralized autonomous organization (DAO) utilizing the Aragon platform. The DAO's governance and CRV, Curve's in-house token, play a crucial role in managing liquidity. However, it is worth noting that while Curve DAO employs Aragon, there are distinctions in governance mechanisms and other aspects.

## 2. Transaction Statistics:

Curve Finance has witnessed an impressive number of swap transactions. As of the data available, the platform facilitated approximately 1.3 million swap transactions, involving around 147,000 unique swappers. These transactions amounted to a staggering total value of over 264 billion USD exchanged through Curve Finance.

### 3. Monthly Activity Trends:

March 2023 recorded the highest number of swap transactions, reaching approximately 85,000, with 15,000 active swappers. However, the peak in monthly volume occurred in May 2022, reaching around 22 billion USD. Subsequently, there has been a noticeable decline in the monthly number of transactions, active users, and overall volume. This declining trend raises concerns about Curve Finance's user base and requires further investigation.

### 4. Preferred Stablecoin Pairings:

Among the various stablecoin pairings available on Curve Finance, the USDC-USDT pair stands out as the most favored, exhibiting the highest trading volume of over 69 billion USD. Additionally, USDT emerges as the dominant token, accounting for the highest volume in both buying and selling transactions.

### 5. Preference for Stablecoin-to-Stablecoin Swaps:

An interesting observation is that the majority of transactions on Curve Finance involve swaps between different stablecoins. This indicates a significant preference for exchanging between stable assets rather than swapping between stablecoins and other types of cryptocurrencies.

### 6. APYs:

Based on the current market situation, it is anticipated that the annual percentage yield (APY) of all pools will experience a downward trend due to the prevailing bull market conditions. The following factors contribute to this prediction:

- **Market Dynamics:** In a bull market, there is typically an influx of new investors and increased overall market optimism. As a result, more capital flows into various investment opportunities, including decentralized finance (DeFi) pools. The increased demand for participation in these pools leads to a higher supply of liquidity, which in turn affects the APY.

- **Increased Competition:** With the rise in popularity of DeFi and the inflow of capital, the number of participants in DeFi pools tends to increase. This influx of participants vying for a share of the pool's rewards puts downward pressure on APY. As more liquidity providers join the pools, the rewards are distributed among a larger pool of participants, resulting in a decrease in the APY.

- **Market Correction:** While the bull market brings about optimism and increased APY, it is also important to consider the cyclical nature of financial markets. Bull markets are often followed by periods of market correction or consolidation. During these periods, market sentiment may shift, leading to a decrease in the overall demand for DeFi pools and subsequently impacting the APY.

- **Yield Farming Strategies:** In response to the changing market conditions, participants in DeFi pools adapt their yield farming strategies. As market sentiments shift, investors may reallocate their capital to different investment opportunities, including new pools or different assets altogether. These changes in investment behavior can impact the overall APY of the existing pools.

To mitigate the potential impact of the downward APY trend, it is important for liquidity providers to consider diversifying their portfolios. By allocating funds to different pools or exploring alternative investment strategies, investors can potentially offset the decreasing returns in specific pools.

Furthermore, it is crucial to closely monitor market trends, news, and developments within the DeFi space. By staying informed about market dynamics, participants can make informed decisions and adjust their strategies accordingly.

Overall, while the bull market conditions may contribute to a downward trend in APY for all pools, it is important to remember that market dynamics are subject to change. Therefore, continuous monitoring, adaptability, and diversification are essential to navigate the evolving landscape of DeFi investments.

## Conclusion:

Curve Finance has emerged as a prominent decentralized exchange for stablecoins, experiencing remarkable growth since its launch. However, recent data suggests a decline in the monthly number of transactions, active users, and overall volume, raising concerns about Curve Finance's user base. The USDC-USDT pairing has demonstrated the highest trading volume, with stablecoin-to-stablecoin swaps being the most prevalent type of transaction. Monitoring these trends and addressing the challenges associated with user retention will be

essential for Curve Finance's continued success in the DeFi ecosystem.

Dashboard Link:

<https://dune.com/ibram/stablecoin-activity-on-curve>

Report Link:

<https://market.oceanprotocol.com/asset/did:op:68707a239c022c5622d4bc24f29edb274faf03c9dc2841ada09470dc3e10e1f8>