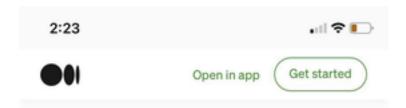
Title: Runic Glory!

Author: disoriented Ilama

Created 2021-10-24 19:07:01 UTC

Permalink: /r/TheGloryHodl/comments/geysh6/runic glory/

Url: https://i.redd.it/srbj5fug5gv71.jpg



Understanding the XYK model of pooled liquidity

This article is mainly for the DeFiers to better understanding and discussing the liquidity pool model, and hopefully will intrigue some innovative ideas to be built upon.

The XYK liquidity poor model, controlled by smart contracts in ET 1, is becoming more popular among the 1. X related projects, and it greatly enhances the equidity of the transactions, representing by Bancor and Uniswap. Thorchain, as the so-called cross-chain Uniswap, is planning to launch the DEX early next year, with the unique Rune token model involved in the transaction mechanisms.

However, as shown by both Uniswap and Thorchain, the liquidity provider will suffer from something called the 'impermanent loss' phenomenon. The 'impermanent loss' isn't the case that the 'book loss' occurs, when you buy a certain company's listing shares from some stock exchanges and won't sell it when the market price goes down while hoping it moves up again later. However, 'impermanent loss' is a phenomenon that happens to the liquidity provider in the YYK model when the price