

Considered.Finance presents the financial intelligence report for epoch 23.

[DYDX Financial Report Epoch 23](#)

Those interested in clearly defined measures of performance of the protocol and the DAO will find this an interesting read. It contains details over the volumes and fees going back to epoch 1, specifics over all service provider contracts with the DAO and more. As always feedback, comments or constructive criticism are strongly encouraged.

A new feature of this report from epoch 23 is a protocol income statement.

After two profitable quarters the protocol suffered a \$2.5m loss in epoch 23. This was entirely due to a 48% drop in trading fees. This is explored below in terms of open interest and how quickly open interest turns over.

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- The major driver of DYDX financial performance is trading volumes and fees. This is apparent in the switch from a profit in epochs 21 and 22 to a loss in epoch 23.
- The average protocol take rate of 2.4bps of volume has been stable.
- The gross margin has been a little low recently dropping in epoch 23. Greater overall trading volumes would help as cost of revenue is fixed in DYDX terms currently.
- Customer acquisition cost of trading rewards has been reduced in line with market conditions. This still makes up a high percentage of fee revenues and this ratio needs to come down over the long term. This has helped the overall profitability.
- R&D spending is still low. R&D that contributed to long term growth has the potential to drive efficiencies and reduce the reliance on rewards to drive volume growth.

Other than volumes and fees there was not much change in the key protocol measures in epoch 23.

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DAO runway remains strong. DYDX has one of the longest runways in DeFi. This will evolve as new subDAO's form.

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Two factors are becoming apparent in terms of trading activity on dYdX:

- Demand for trading exposure as measured by open interest is relatively constant over epochs and likely mostly affected by underlying price levels.
- Changes in trading volumes come mostly from the rate at which trading positions are turned over as measured by Open Interest Turnover. This has been very sensitive to observed price volatility.

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Changes in this report are:

- Inclusion of the DYDX income statement and associated commentary.
- Unclaimed rewards are no longer counted as part of treasury balances.
- Analysis of the drivers of volume in terms of open interest.
- The full report is hosted on IPFS.

If you find this interesting please let us know what you like, what's missing and what you don't like. Reporting for DAO's is still nascent, and there is definitely no standard model for reporting perpetual exchange metrics. We'd like to continue improving this, making DYDX a leader at reporting and DAO intelligence.