Over the last couple of months, the Gauntlet team has built the infrastructure to ingest market data and run simulations and economic stress tests on the Aave V3 ecosystem. We launched the initial V3 Avalanche Dashboard last month, followed by the Optimism Dashboard, with the risk metrics common across Aave markets, including VaR, LaR, and Borrow usage, along with parameter recommendations. Today we are releasing our model outputs specific to eMode pools.

eMode is a new functionality in Aave V3 that enables increased capital efficiency by pairing correlated assets. Correlated assets can take on higher liquidation thresholds, Loan to Values, and liquidation penalties, as the value of the borrowed assets move in tandem with the supplied collateral, decreasing the chance of a position going insolvent even in volatile markets. The Aave V3 Avalanche market currently has two eMode pools: stablecoins and avalanche correlated assets. The volatility of asset prices relative to each other is displayed under the label "relative volatility" and is calculated as the average absolute correlation between asset pairs over the last 28 days.

In addition, borrow usage, VaR, and LaR are provided for each pool. Since parameters are set equivalently for all assets in a pool, it makes sense to summarize them in this way. Clicking on the arrow at the far right of each entry takes the user to a pool-specific page, summarizing the current and recommended parameters.

Understanding the level of this correlation (and that it holds over time beyond just when the pool was created) is important to effectively managing risk for these pools. The pool-specific pages display the current price correlations between assets in the pool, summarized as 28-day averages. An asset with a strong negative correlation would be cause for concern, however, the current correlation numbers are within an acceptable range for stablecoins.

We hope the Risk Dashboard is valuable for the Aave community and governance participants. Feel free to provide feedback directly to us using the Send Feedback button on the dashboard!

Quick Links

[Aave V3 Avalanche Risk Dashboard](#)

[Aave V3 Optimism Risk Dashboard](#)