

Hi All,

The Alpha Homora projects lends ETH to yield farmers and uses their LP tokens collateral to secure the loan. The interest bearing form of that ETH is referred to as ibETH. Because yield farming is so profitable right now the farmers are willing to pay above average APY for ETH. Much higher than on AAVE or Compound (currently 7.5%).

Right now there is an arbitrage opportunity for investors to borrow ETH from AAVE and invest it into ibETH and earn the spread. However, since ibETH isn't a collateral type at AAVE this bridge between the platforms is quite limited. However, if ibETH was accepted as a collateral type on AAVE investors could leverage this trade and cause the interest rates between the two platforms to converge. This would give AAVE investors a better interest rate by connecting them with the yield farmers at Alpha Homora. It would also grow the TVL for AAVE.

Any thoughts on this?

Thank you!