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Overview

Chaos Labs is pleased to provide a comprehensive review of the eighth trading season on the dYdX Chain. This analysis encompasses all facets of exchange performance, emphasizing the impact of the Launch Incentive Program.

We are diligently fine-tuning the incentives, ensuring they effectively meet their intended goals. By monitoring a broad spectrum of indicators, we aim to understand the rewards program's dynamics and outcomes.

Key Stats:

- dYdX Chain has seen over 9bn in trading volume across 182 live markets.

- Over 6300 traders were active through season 8.

- Over $345m of open interest, down 14% from the beginning of the season.

- The dYdX Chain has grown to approximately $367m USDC in TVL deposited on the exchange at the end of season 8, down 6% from the beginning of the season.

dYdX Chain Trading

The dYdX Chain has seen over $9bn in trading volume across 182 live markets. This is a decrease of 45% compared to the preceding 30-day period.

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Open interest has decreased over the season from $403m to $345m, a decrease of 14%.

Open interest has historically fluctuates significantly with market conditions and in line with other metrics this decreased over the end of year holidays.

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Traders have paid almost $47m in fees to stakers securing the dYdX Chain since inception. $1.9m of this came in season 8 of the launch incentive program.

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dYdX Chain Liquidity

A focus of the program in its current iteration is growing liquidity across all markets to improve the trading experience for users.

Liquidity in the majors, as measured by median liquidity within 100bps, has continued improving, particularly in the more developed markets. Large markets' now have over $2 000 000 in liquidity within 100bps most of the time.

Season 8 saw a significant further improvement in this metric.

See the table below for liquidity trends in some major markets.

Market	Current	Preceding 30 day	Change
BTC-USD	$24,425,302	$17,014,994	30%
ETH-USD	$22,001,603	$14,227,501	35%
SOL-USD	$9,107,878	$6,603,563	27%
DOGE-USD	$3,572,435	$2,217,895	38%
AVAX-USD	$3,335,178	$1,824,898	45%
XRP-USD	$3,331,774	$1,671,290	50%
ADA-USD	$3,269,603	$1,765,181	46%

DOT-USD

$2,938,446

$1,515,446

48%

LINK-USD

$2,851,633

$1,429,372

50%

LTC-USD

$324,666

$505,226

-56%

The impact remains broad across markets, with the long tail increasing dramatically over the season. The only segment to decrease is the $500k-$1m liquidity segment where some liquidity appears to have migrated to the majors and the long tail. Overall liquidity within 1% is up 42% on the season.

Orderbook Liquidity

Above $1000k

Above $500k

Above $250k

Above $100k

Above $50k

Above $10k

Total Liquidity ($m)

30 days ago

14

36

50

67

68

92

76m

Now

14

15

51

70

108

141

Funding

Average funding rates in most major markets have stabilized over season 8. This has been relatively in line with funding rate behavior elsewhere, and we continue to take comfort in the convergence to the broader market as a sign of maturation.

Market	Average	Median	Max	Min
BTC	22.10%	19.00%	77.85%	-19.38%
ETH	19.96%	18.83%	93.62%	-40.73%
SOL	20.78%	19.00%	99.54%	-223.16%
DOGE	19.00%	18.01%	96.47%	-41.72%
XRP	20.11%	16.75%	210.68%	-45.33%
LINK	9.98%	8.32%		

52.12%

-3.61%

ADA

9.91%

7.01%

63.95%

-0.22%

AVAX

15.66%

8.27%

62.63%

-9.09%

LTC

1.76%

0.11%

31.54%

-45.77%

DOT

3.65%

0.22%

45.55%

-19.05%

Liquidations

The BTC market experienced the highest volume of liquidations during Season 8 There were $53m in BTC liquidations, followed by $39m ETH liquidations over the season out of a total value liquidated of $113m.

The insurance fund now sits at over $12.4m, bootstrapped predominantly by protocol liquidation fees. Over $1.6m of this came over season 8.

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TVL and Deposit Metrics

USDC deposits continue to grow, providing a potential leading indicator to further growth in trading volumes.

At the end of Season 8 approximately $367m USDC was deposited in the app on the dYdX Chain, down 6% from $390 USDC at the start of the season.

Program Efficiency Metrics

Much of the above analysis focuses on aggregate metrics, which can be influenced by a small number of traders. Our analysis of the program also encompasses a bottom-up assessment of the impact it has in growing the number of active traders.

This section provides a deep dive into trader-level metrics to highlight the program's impact across a range of dimensions. This, in turn, forms the basis for the long-term projections around the program's impact and efficiency.

Daily and Weekly Active Traders

The number of weekly active traders in season 8 has been fairly consistent, after initially dipping over the end of year break.

Growing the number of average daily and weekly active traders on dYdX is a guiding principle of the Launch Incentive Program, and significant care is taken to ensure that the incentives appeal to a diverse segment of traders.

Week	Average Daily Active	Weekly Active	Average Weekly Volatility
2024-09-02	1107	1728	39.44%
2024-09-09	1131	1976	36.57%
2024-09-16	1190	2040	36.73%
2024-09-23	1272	2175	29.54%
2024-09-30	1348	2441	35.47%
2024-10-07	1306	2242	32.18%
2024-10-14	1449		

2481

33.61%

2024-10-21

1543

2716

28.74%

2024-10-28

1644

2899

32.75%

2024-11-04

1958

3475

42.58%

2024-11-11

2277

4225

57.39%

2024-11-18

2365

4176

40.48%

2024-11-25

2287

4435

35.36%

2024-12-02

2555

4527

42.76%

2024-12-09

2310

4657

39.27%

2024-12-16

2328

4320

50.31%

2024-12-23

1431

3817

36.32%

2024-12-30

1648

3306

30.78%

2025-01-06

2014

3789

37.27%

2025-01-13

2265

3949

49.38%

2025-01-20

2196

4085

94.15%

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- Weekly active traders are defined as traders who make at least one trade during a week.
- Volatility is measured as the variance of minute-by-minute log returns of BTC. This short time frame accurately measures the volatility experienced by dYdX Chain traders in its largest market better than the traditional daily volatility.

Trader Engagement

Trader engagement is defined as how frequently the active user interacts with the dYdX Chain. This is analyzed across a few dimensions. The ratio of average daily active users to weekly active users broadly signals what portion of weekly active traders make a trade on a given day in the week. When this ratio is high, more traders find value in the product and return for this utility.

From a Launch Incentive Program perspective, the incentives should appeal to traders who are likely to become more regular traders and, therefore, likely to be stickier over the long term.

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Another measure analyzed is the number of days traders have been active during season 8.

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Weekly Trader Breakdown and Retention

Season 8 saw in initial reduction of traders over the end of year break, with mostly existing traders leaving. Most have now returned, however the total is still less than the end of season 7.

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The weekly trader retention rate initially dipped due to the end of year holidays over season 8. This has rebounded mostly.

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The marginal weekly trader retention rate shows how likely it is for a trader who has traded for a certain number of weeks to trade for one more. This is a slightly different methodology from the retention rate above, as returning traders are treated the same as retained traders here, hence the higher retention numbers.

What is apparent is how much better traders retain the more weeks they have been active. The goal is to get a trader active for at least six weeks, as the data suggests traders are incredibly sticky.

Marginal Weekly Trader Retention Rate

Week

Retention Rate

1

57.02%

2

73.99%

3

82.38%

4

88.06%

5

89.97%

6

87.04%

7

91.44%

8

95.44%

9

94.10%

10

94.21%

Summary

There are many aspects contributing to the growth in the dYdX Chain since the Launch Incentive Program began. Attributing growth to specific factors is not an exact science, and we acknowledge the impact market conditions have on trading activity. Given that, here are some highlights from our analysis:

- Traders spent $1.9m in fees during season 8, and the program will pay out $1.5m in rewards.

- Over 6300 traders used dYdX Chain during season 8.

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