

Summary

A proposal to increase the following supply and borrow caps on Aave V3's Arbitrum deployment:

- WETH
- USDC
- WBTC

Motivation

WETH

Following a surge in new deposits, WETH has reached 93% supply cap utilization and 90% borrow cap utilization.

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Supply Distribution

The largest [supplier](#) has deposited 18.7% of the total WETH in this market and is borrowing \$33M USDC against their collateral.

This supplier is a dHedge strategy, which has seen rapid growth in TVL following its launch on Arbitrum.

It aims to achieve 3x leverage on ETH using leverage on Aave and has been consistently rebalancing its position to reach the desired leverage.

Borrow Distribution

The largest borrower is borrowing \$68.5M WETH against wstETH collateral in a looping strategy, putting this position at relatively low risk of liquidation.

Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply and borrow caps to 100K and 90K, respectively.

USDC

USDC is approaching its supply and borrow caps, again following a surge in activity on Arbitrum.

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Supply Distribution

Supply is well distributed, with the largest supplier borrowing ARB against their USDC collateral. Overall, borrows against USDC are relatively limited, putting this market at lower risk of large-scale liquidations.

Borrow Distribution

The largest [borrower](#) is the dHedge 3x ETH strategy mentioned above, while the second largest is the dHedge 3x BTC strategy discussed below.

Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply and borrow caps.

WBTC

WBTC is approaching its supply cap following rapid inflows into the dHedge 3x BTC strategy and accompanying deposits in Aave.

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Supply Distribution

The largest supplier of WBTC is the dHedge strategy, with \$45M WBTC deposited and \$27M USDC borrowed. This strategy’s TVL grew rapidly over the past three days but has leveled off over the last 12 hours.

Recommendation

Given on-chain liquidity and user distribution, we recommend increasing the supply and borrow caps.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Arbitrum

WETH

84,000

100,000

72,000

90,000

Arbitrum

USDC

200,000,000

300,000,000

180,000,000

270,000,000

Arbitrum

WBTC

4,200

5,000

1,100

No Change

Next Steps

We will move forward and implement these updates via the Risk Steward process.

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