

Exploring DeFi Trading Strategies: Arbitrage in DeFi

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Quick Take:

- DeFi markets are fragmented and inefficient which is fertile ground for arbitrageurs to develop strategies in. Two categories of arbitrage strategies in DeFi we focus on in this piece are yield arbitrage and cross-DEX arbitrage.
- DeFi infrastructure has new features such as atomic batch-based processing of transactions which potentially enable new trading strategies with no analog in traditional financial markets.
- Both yield and cross-DEX arbitrage seem to be short-lived opportunities for arbitrageurs, the former because of aggregators like Topo Finance and the latter because they're being stopped outright by DEX builders because of their negative effect on liquidity and on Ethereum more broadly.

This article initially appeared on TheBlock and is a product of our research at Cambrial Capital. Cambrial is a fund of funds currently investing in market-neutral crypto funds.