Summary

A proposal to increase the WETH supply cap on Aave V3's Metis deployment.

Motivation

WETH has reached its supply cap on Metis following significant growth in deposits.

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Supply Distribution

Following the weekend's volatility, the top supplier has deposited $2.27M WETH and borrowed $1.4M USDC against it, for a health score of 1.28.

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This position is at risk of liquidation should ETH's price fall. However, collateral at risk does not increase significantly until ETH drops to $2,400.

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Borrow Distribution

WETH borrows on Metis (excluding the aforementioned WETH-WETH position) are relatively limited because the Metis market does not contain any LSTs, which drive demand for WETH borrowing from looping strategies.

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Recommendations

As per our methodology, we recommend limiting the supply caps to 50% of the on-chain circulating supply of a given token.

Currently, there are 3,627 WETH on Metis; based on the on-chain liquidity and user behavior, we recommend increasing the supply cap to 1,800 WETH, while not adjusting the borrow cap.

Chain	Asset	Current Supply Cap	Recommended Supply Cap	Current Borrow Cap	Recommended Borrow Cap
Metis	WETH	1,400	1,800	720	No Change