

[ARFC] TokenLogic GHO Stewards - GHO Borrow Rate Update

title: [ARFC] TokenLogic GHO Stewards - GHO Borrow Rate Update 31st December

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Summary

This publication proposes a 1.00% reduction in the GHO Borrow Rate on Core and reducing the GHO supply Cap to 150M, to be implemented by the GHO Stewards.

Motivation

The below provides insights into GHO's recent performance.

As highlighted in the previous update, the circulating supply of GHO has been contracting since late November 2024. While the pace of this contraction has slowed following last week's update, outflows continue due to the lower average borrow rate on the Core market.

Staked GHO has been in decline from 101.3M to 98M between 26th and 31st December 2024.

GHO within DEX liquidity pools peaked at the start of the month. Overall AUM in DEX liquidity pools has slightly increased from 32.4M to 33.1M since the last update.

The composition of the 3pool on Balancer has improved with the composition of GHO reducing from 72.0% to 47.6% between 8th to 26th December. And reducing again last week to 46.7% on December 31st.

GHO's Borrow Rate remains higher than that of USDC and USDT on Aave v3's Core instance, prompting us to propose another reduction to maintain competitiveness.

The data is smoothed using a 7 daily moving average.

There are 3.2M USDT in the GSM and minimal USDC. A 2x increase since last update in the USDT GSM.

Recommendation

Following last week's update, we've observed a slowdown in outflows from stkGHO and a reduction in GHO's circulating supply as debt has been repaid. However, with the broader market cooling down and borrow rates decreasing, we recommend an additional 1.00% reduction in the GHO Borrow Rate on Aave's Core instance. To safeguard GHO against potential large-scale mint-and-dump scenarios, we propose lowering the supply cap to 155M. This proposal is supported by the GHO Stewards.

Specification

The GHO borrow rate is to be revised as follows:

Description

Current

Proposed

Change

Borrow Rate

13.50%

12.50%

-1.00%

Supply Cap

171.5M

155M

-16.5M

This proposal is to be implemented by the GHO Stewards.

Disclosure

TokenLogic does not receive any payment for this proposal.

Next Steps

The GHO Stewards will implement these updated via the GHO Steward process.

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