History

The core contracts of GMX V2 can support trading markets for a wide variety of assets, market structures, risk parameters, and different collaterals. The first iteration deployed the main trading pairs as backed markets (gmBTC, gmETH, gmSOL, etc…), and started the first efforts on synthetic / partially backed trading pairs.

The initial rollout and controlled scaling allowed for continued refinement of market parameters. This includes the implementation of dynamic funding fees that have helped to ensure balanced pools (inside of 55:45), and the continued onboarding of traders (including institutional ones) who take the opportunity to balance pools, due to earning funding rates, paying lower trading fees and receiving price impact rebates.

Fully backed and synthetic markets in V2 have progressed and grown to over USD 300M TVL, consistently maintaining daily Open Interest of USD 100-250M and a healthy Long/Short balance. The robustness and resilience of the V2 markets over the last six months, have made experimenting with single-token-backed markets an appropriate next step in the scaling up of GMX.

These markets, starting with GM: BTC/USD [WBTC-WBTC] and GM: ETH/USD [ETH-ETH], will allow us to potentially unlock greater market liquidity. They will help attract a new set of liquidity providers looking to have 100% exposure to a single underlying collateral (BTC, ETH, Stablecoins, Altcoins), without the rebalancing that occurs in existing GM markets, GLP, and LPs in general. These new Single Token Markets will unlock a portion of the over 35 Billion TVL spread across lending markets (https://defillama.com/protocols/Lending), while also opening up new collateral options for GM tokens within such lending markets, given their high correlation.

For context, see the recent announcement by Solv, one of the largest liquidity providers to GMX's GM markets, (https://x.com/SolvProtocol/status/1768626415912796236?s=20) on the development of its BTC-focused yield vaults. This generally aligns with a longer-term trend of single-token yield-generating vaults. These new markets have the potential to provide GMX's wide ecosystem of vault builders an additional group of high quality highly composable assets to leverage in their strategies, these are complementary and not competitive with the effort of those creating various delta neutral strategies.

Single Token Markets do carry a different risk profile and should be well understood. Just like synthetic markets and markets on CEXs, there are edge cases that could result in auto-deleveraging of trader positions if markets are not well balanced and profits grow outsized – which can be a less optimal UX. At the outset, these markets shall be set to have lower trading caps (relative to capital), reducing the risk profile for Liquidity Providers at the cost of some yield-earning capacity. Products like gmBTC2 and gmETH2 are not 'up only', they are effectively vaults that have full exposure to the markets. Meaning, that while they earn yield, they can have capital drawdowns if trader PnL turns in the favour of traders.

If these new Single token markets perform well it opens the possibility of other single token markets including stablecoin, yielding stablecoin, LSTs, GMX and other volatile assets to back markets.

Reference:

Recommendation report from Chaos Labs for initial parameters:https://www.notion.so/chaos-labs/EXT-Single-Token-Pools-Recommendation-562dacef048f43d3b37b9c7189f5b50f?pvs=4

These markets shall follow the same process as the genesis markets and the recently added V2 markets, and all previously stated processes shall apply.

These markets will be overseen by the Security Committee, utilising the abovementioned initial parameters provided by Chaos Labs and updated over time to ensure their well-functioning.

Proposal:

Propose to create gmBTC2 & gmETH2 markets on both Arbitrum and Avalanche to attract even greater market liquidity to GMX:

gmBTC2: A pure BTC pool for the BTCUSD market backed by [WBTC/WBTC]

gmETH2: A pure ETH pool for the ETHUSD market backed by [ETH/ETH]

The Avalanche deployment will potentially be timed at the discretion of the Security Committee after the upcoming deployment of Chainlink Datastreams on Avalanche.

Recommendations

BTC

ETH

Position Impact Exponent

2.00

2.00

Position Impact Positive Factor

9.00E-11

9.00E-11

Position Impact Negative Factor

1.50E-10

1.50E-10

Position Impact Max Positive Factor

0.01

0.01

Position Impact Max Negative Factor

0.01

0.01

Position Impact Max Factor for Liquidations

0.01

0.01

Swap Impact Exponent

2

2

Swap Impact Positive Factor

2.00E-10

2.00E-10

Swap Impact Negative Factor

2.00E-10

2.00E-10

Swap Fee Factor (Positive Price Impact)

0.0005

0.0005

Swap Fee Factor (Negative Price Impact)

0.0007

0.0007

Position Fee Factor (Positive Price Impact)

0.0005

0.0005

Position Fee Factor (Negative Price Impact)

0.0007

0.0007

Borrowing Factor Long

6.80E-12

7.20E-12

Borrowing Factor Short

6.80E-12

7.20E-12

Borrowing Exponent Long

1.4

1.4

Borrowing Exponent Short

1.4

1.4

Funding Increase Factor

0.000000000003

0.000000000003

Funding decrease Factor

0

0

Max funding Factor

0.00000002

0.00000002

Min funding factor

0.0000000003

0.0000000003

Threshold for stable funding

0.05

0.05

Threshold for decrease funding

0

0

Min Collateral

1

1

Min Position size

1

1

Min Collateral Factor

0.01

0.01

Min Collateral Factor OI Long

2.00E-10

2.00E-10

Min Collateral Factor OI Short

2.00E-10

2.00E-10

Max Leverage

100

100

Max Open Interest Long

20,000,000

20,000,000

Max Open Interest Short

20,000,000

20,000,000

Reserve Factor Long

0.55

0.55

Reserve Factor Short

0.55

0.55

Open Interest Reserve Factor Long

0.5

0.5

Open Interest Reserve Factor Short

0.5

0.5

Max PnL Factor Long

0.9

0.9

Max PnL Factor Short

0.9

0.9