How to Leverage Exposure on Your Assets?

This page explains how you can leverage your exposure on ZeroLend. Leveraging your exposure is one of the major use-cases of ZeroLend.

What is leveraging up?

In the context of decentralized lending platforms like ZeroLend, leveraging up involves utilizing borrowed assets to increase your holdings of a particular cryptocurrency or token. This approach is used by traders and investors to potentially generate greater returns from market movements. However, it's important to approach leveraging up with caution, as it intensifies both profits and losses.

In the following sections, we'll guide you through the process of leveraging up on the ZeroLend platform, where you can deposit collateral, borrow funds, and strategically increase your exposure to a chosen asset.

Remember that leveraging up requires careful consideration, a solid understanding of the risks involved, and a well-thought-out strategy tailored to your investment goals.

How does it work?

Leveraging your yield within the zkSync ecosystem is one of the major use-cases of ZeroLend. Users can deposit their assets and borrow stables (USDC/USDT) or ETH against the deposited asset.

Here's a step-by-step explanation of how a user can take such a leverage position on the ZeroLend protocol:

1. Deposit Collateral:
2. The user starts by depositing an asset (let's say Token A) into the ZeroLend platform. This asset will serve as collateral for the borrowing process.
3. Borrow Funds:
4. After depositing Token A as collateral, the user can borrow a certain amount of a different asset, such as ETH or USDC. This borrowed asset will be used to increase the exposure to Token A.
5. Trade Borrowed Asset for Original Asset:
6. Once the user has borrowed the desired amount of ETH or USDC, they can trade those borrowed funds for Token A on a decentralized exchange or any other platform where Token A is traded. This effectively increases the amount of Token A they hold.
7. Increased Exposure:
8. By leveraging borrowed funds, the user now has more Token A than they would have had with just their initial deposit. This increases their exposure to the price movements of Token A. If the price of Token A goes up, the potential gains are amplified due to the increased position size.
9. Monitoring and Management:
10. As with any investment, the user needs to actively monitor the price of Token A and the borrowed funds. The leveraged position can result in higher profits if the price of Token A rises, but it can also lead to larger losses if the price goes down.
11. Repaying the Loan:
12. At some point, the user might decide to close the leveraged position. To do so, they would need to sell enough of Token A to repay the borrowed ETH or USDC, plus any accrued interest. Once the borrowed funds are repaid, the user's collateral is released, and they can decide whether to continue holding Token A or withdraw their initial collateral.
13.

It's important to note that leveraging up a position involves higher risk. If the price ofToken A goes down, losses are magnified by the borrowed funds. Additionally, there might be interest costs associated with borrowing, and the collateralization ratio must be maintained to avoid liquidation.

Users should have a good understanding of the market, the assets involved, and the risks before engaging in leveraged trading strategies.

Previous Supported Assets Next Overview Last updated2 months ago On this page *What is leveraging up? * How does it work?

Was this helpful? Edit on GitHub