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## Overview

Chaos Labs is pleased to provide a comprehensive review of the seventh trading season on the dYdX Chain. This analysis encompasses all facets of exchange performance, emphasizing the impact of the Launch Incentive Program.

We are diligently fine-tuning the incentives, ensuring they effectively meet their intended goals. By monitoring a broad spectrum of indicators, we aim to understand the rewards program's dynamics and outcomes.

Key Stats:

- dYdX Chain has seen over 20bn in trading volume across 180 live markets.
- Over 7300 traders were active through season 7 of the launch incentive program.
- Funding rates in major markets continue to be muted on the dYdX Chain this season. This can be attributed to low volatility and a maturation of the ecosystem.
- The dYdX Chain has grown to approximately \$390m USDC in TVL deposited on the exchange at the end of season 7, up 37% from the beginning of the season.

## dYdX Chain Trading

The dYdX Chain has seen over \$20bn in trading volume across 180 live markets. This is an increase of 33% compared to the preceding 30-day period.

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Open interest has increased significantly over the season from \$386m to \$449m, an increase of 16%.

Open interest fluctuates significantly with market conditions, but the overall trend is consistently higher peaks and higher troughs.

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Traders have paid almost \$45m in fees to stakers securing the dYdX Chain since inception. \$4.3m of this came in season 7 of the launch incentive program.

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## dYdX Chain Liquidity

A focus of the program in its current iteration is growing liquidity across all markets to improve the trading experience for users.

Liquidity in the majors, as measured by median liquidity within 100bps, has continued improving, particularly in the more developed markets. Large markets' now have over \$1 000 000 in liquidity within 100bps most of the time.

See the table below for liquidity trends in some major markets.

Market

Current

Preceding 30 day

Change

BTC-USD

\$16,979,517

\$8,118,849

109%

ETH-USD

\$14,309,282

\$6,620,551

116%

SOL-USD

\$6,800,252

\$2,977,961

128%

DOGE-USD

\$2,150,501

\$435,445

394%

AVAX-USD

\$1,726,393

\$318,065

443%

ADA-USD

\$1,663,514

\$287,249

479%

XRP-USD

\$1,541,932

\$285,515

440%

DOT-USD

\$1,478,128

\$286,181

417%

LINK-USD

\$1,377,194

\$346,899

297%

LTC-USD

\$581,142

\$217,017

168%

The impact has been broad across markets, with the number of markets with over each level of average liquidity within 1% tracked increasing dramatically over season 7.

Orderbook Liquidity

Above \$1000k

Above \$500k

Above \$250k

Above \$100k

Above \$50k

Above \$10k

Total Liquidity (\$m)

30 days ago

4

4

17

47

50

71

33

Now

14

36

50

67

68

92

77

# Funding

Average funding rates in most major markets have increased with the rapid growth in open interest over season 7. This has been relatively in line with funding rate behavior elsewhere, and we continue to take comfort in the convergence to the broader market as a sign of maturation.

Market

Average

Median

Max

Min

BTC

34.70%

31.65%

200.17%

-30.77%

ETH

46.34%

44.73%

140.38%

-80.37%

SOL

44.39%

41.01%

170.05%

-48.07%

XRP

44.70%

43.53%

216.37%

-89.13%

DOGE

53.93%

50.75%

205.97%

-74.90%

ADA

35.79%

32.08%

138.74%

-9.86%

LINK

37.30%

32.36%

130.41%

-15.77%

DOT

29.21%

20.75%

127.79%

-19.05%

AVAX

41.47%

39.86%

112.13%

-0.44%

LTC

26.10%

17.19%

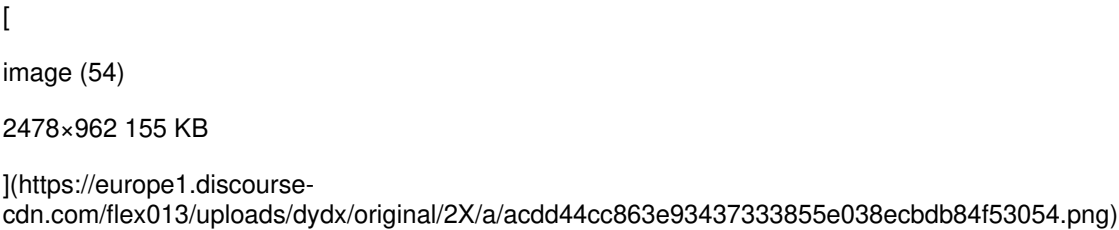
246.92%

-32.19%

## Liquidations

The BTC market experienced the highest volume of liquidations during Season 7. There were \$82m in BTC liquidations, followed by \$59m ETH liquidations over the season out of a total value liquidated of \$185m.

The insurance fund now sits at over \$10.8m, bootstrapped predominantly by protocol liquidation fees. Over \$923k of this came over season 7.



## TVL and Deposit Metrics

USDC deposits continue to grow, providing a potential leading indicator to further growth in trading volumes.

At the end of Season 7, approximately \$390m USDC was deposited in the app on the dYdX Chain, up 37% from \$285 USDC at the start of the season.

## Program Efficiency Metrics

Much of the above analysis focuses on aggregate metrics, which can be influenced by a small number of traders. Our

analysis of the program also encompasses a bottom-up assessment of the impact it has in growing the number of active traders.

This section provides a deep dive into trader-level metrics to highlight the program’s impact across a range of dimensions. This, in turn, forms the basis for the long-term projections around the program's impact and efficiency.

## Daily and Weekly Active Traders

The number of weekly active traders in season 7 has been fairly consistent, and marginally higher than season 6. The reduced new deposit bonus numbers and removal of streaks bonuses have been the biggest drivers in the reduction vs earlier seasons.

Growing the number of average daily and weekly active traders on dYdX is a guiding principle of the Launch Incentive Program, and significant care is taken to ensure that the incentives appeal to a diverse segment of traders.

Week

Average Daily Active

Weekly Active

Average Weekly Volatility

2024-07-29

1019

1711

45.70%

2024-08-05

1069

2800

78.31%

2024-08-12

894

1856

45.98%

2024-08-19

1035

1899

38.63%

2024-08-26

1095

2233

36.66%

2024-09-02

1107

2022

39.44%

2024-09-09

1131  
1976  
36.57%  
2024-09-16  
1190  
2040  
36.73%  
2024-09-23  
1272  
2175  
29.54%  
2024-09-30  
1348  
2441  
35.47%  
2024-10-07  
1306  
2242  
32.18%  
2024-10-14  
1449  
2481  
33.61%  
2024-10-21  
1543  
2716  
28.74%  
2024-10-28  
1644  
2899  
32.75%  
2024-11-04  
1958  
3475  
42.58%  
2024-11-11  
2277

4225  
57.39%  
2024-11-18  
2365  
4176  
40.48%  
2024-11-25  
2287  
4435  
35.36%  
2024-12-02  
2555  
4527  
42.76%  
2024-12-09  
2310  
4657  
39.27%  
2024-12-16  
2376  
4049  
43.78%  
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- Weekly active traders are defined as traders who make at least one trade during a week.
- Volatility is measured as the variance of minute-by-minute log returns of BTC. This short time frame accurately measures the volatility experienced by dYdX Chain traders in its largest market better than the traditional daily volatility.

## Trader Engagement

Trader engagement is defined as how frequently the active user interacts with the dYdX Chain. This is analyzed across a few dimensions. The ratio of average daily active users to weekly active users broadly signals what portion of weekly active traders make a trade on a given day in the week. When this ratio is high, more traders find value in the product and return for this utility.

From a Launch Incentive Program perspective, the incentives should appeal to traders who are likely to become more regular traders and, therefore, likely to be stickier over the long term.

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Another measure analyzed is the number of days traders have been active during season 7.

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## Weekly Trader Breakdown and Retention

Season 7 has seen a further increase in the number of returning traders, and a stabilization in the rate new traders are using the exchange. The stabilization in new traders can be attributed to base effects after the reduction in new trader bonuses.

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- Note the apparent drop off in the most recent week is due to it being a partial week.

The weekly trader retention rate has remained volatile and remained constant over season 7. The increase in returning traders seen above combined with the changing weekly retention rate and low volatility indicate that traders remain active on dYdX, but choose to trade only when markets are interesting.

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The marginal weekly trader retention rate shows how likely it is for a trader who has traded for a certain number of weeks to trade for one more. This is a slightly different methodology from the retention rate above, as returning traders are treated the same as retained traders here, hence the higher retention numbers.

What is apparent is how much better traders retain the more weeks they have been active. The goal is to get a trader active for at least six weeks, as the data suggests traders are incredibly sticky.

Marginal Weekly Trader Retention Rate

Week

Retention Rate

1

56.77%

2

74.70%

3

86.55%

4

83.25%

5

89.13%

6

86.82%

7

82.35%

8

89.77%

9

94.84%

10

90.31%

## Summary

There are many aspects contributing to the growth in the dYdX Chain since the Launch Incentive Program began. Attributing growth to specific factors is not an exact science, and we acknowledge the impact market conditions have on trading activity. Given that, here are some highlights from our analysis:

- Traders spent \$4.3m in fees during season 7, and the program will pay out \$1.5m in rewards.
- Over 7300 traders used dYdX Chain during season 7.

## Disclaimer

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Throughout the program, Chaos Labs' role is confined to providing recommendations regarding the allocation of rewards. The actual implementation and distribution of said rewards are subject to the formal approval process of the dYdX Chain governance votes. Any actions pertaining to reward distribution shall only be executed following affirmative governance votes within the dYdX Chain framework.