

We wanted to provide the community with an update given the notable market downturn over the past few weeks. We have been analyzing the markets closely and have observed no meaningful insolvencies that occurred on Aave V2 during the market crash. This report builds upon our previous [Market Downturn Risk Review](#).

Since the start of [Dynamic Risk Parameters](#), Gauntlet's platform has optimized for capital efficiency to safely increase Aave's revenue potential while maintaining risk at safe levels. While there have been no insolvencies during this market crash, Gauntlet continuously ingests on-chain data to assess market risk, which evolves as market conditions and borrower positions adjust. We will update risk parameters as ecosystem conditions change.

## Liquidations

From May 8th to May 15th, Aave v2 experienced around \$109M in liquidations primarily driven by ETH and WBTC. These are liquidations that were healthily absorbed by the market (i.e., did not lead to insolvency).

## Insolvencies

Aave v2 experienced no major insolvencies

other than several minor dust accounts, with the largest account being just ~\$400 in insolvency. The below charts shows insolvent accounts on May 15 that were solvent on May 8th (i.e., new insolvent accounts).

## Appendix

For the community's reference, see the below data over the course of April 2022. We present this data in place of our standard Monthly Risk Review, the most recent of which can be found [here](#).

Supply changes of key collateral assets from 04/01/2022 to 04/30/2022

Borrow changes of key collateral assets from 04/01/2022 to 04/30/2022

Price changes of key collateral assets from 04/01/2022 to 04/30/2022

Liquidations breakdown by collateral from 04/01/2022 to 04/30/2022

Liquidations breakdown by account from 04/01/2022 to 04/30/2022

Top 10 liquidations breakdown by account from 04/01/2022 to 04/30/2022

New insolvent accounts from 04/01/2022 to 04/30/2022

Note that the only insolvencies are from negligible dust accounts, the largest of which has \$1,551 supplied and the largest insolvent amount of \$308.

Time series of collateral-specific volatility from 04/01/2022 to 04/30/2022

Using the 28 day trailing data and the Garman Klass volatility estimator, which utilizes both daily high  $H_{\{i\}}$  and low  $L_{\{i\}}$  prices, as well as daily opening  $O_{\{i\}}$  and closing  $C_{\{i\}}$  prices, the annualized volatility for each asset can be calculated as follows:

If you are unfamiliar with the concept of volatility, please reference [this writeup from Gauntlet](#).

Time series of collateral-specific protocol collateralization ratios from 04/01/2022 to 04/30/2022

The average collateralization ratio for an asset is a valuable indicator of how risky suppliers behave.

Time series of liquidation volume from 04/01/2022 to 04/30/2022