Summary

A proposal to:

- Increase weETH's supply caps on Aave's Ethereum deployment.

Motivation

weETH (Ethereum)

weETH has reached 100% utilization of its supply cap on Ethereum, and its borrow cap is at 27% capacity following significant repayments.

Supply Distribution

Most of the top weETH suppliers borrow WETH against it, with some borrowing weETH itself, along with some wstETH borrows. The total supply is fairly distributed across wallets, with the largest supplier representing 18% of the total. The largest open positions have low liquidation risk, as weETH and WETH are closely correlated.

Overall, ETH-correlated assets represent 99.7% of the value borrowed against weETH.

Recommendation

Given on-chain liquidity, as well as user distribution and behavior, we recommend increasing weETH's supply cap on Ethereum, while ensuring that potential new WETH borrowing does not bring the WETH market above UOptimal.

Specification

Chain

Asset

Current Supply Cap

Recommended Supply Cap

Current Borrow Cap

Recommended Borrow Cap

Ethereum

weETH

600,000

660,000

200,000

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Next Steps

We will move forward and implement these updates via the Risk Steward process.

For transparency, we aim to execute the risk steward transaction on July 23th at 10:20 am GMT

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