Tr

Haym Salomon @SalomonCrypto

This has never happened to me before.. I guess Tweet 1 and 2 are lost somewhere on the Internet.

(1/20) Curious what bots do? Come learn (some of) what happens behind the scenes

(2/20) Not Financial Advice

At least it saved all the good stuff. But jeez….

Haym Salomon
@SalomonCrypto

(3/20) Arbitrage - an opportunity to secure a guaranteed profit by identifying and exploiting an information discrepancy.

The casual usage (usually) refers to executing trades to lock in profits when assets have different prices in different venues.

> **Haym Salomon** @SalomonCrypto
> Replying to @SalomonCrypto
>
> (3/16) Story: worked at a Fortune 100 company. In IT moving, to finance, interviewing with the Global Treasurer.
>
> Me: "I don't know anything about finance."
>
> "Cash flow is $ amount and dates. Everything else is bullshit made up by banks to trick us into thinking we need them."

3:37 PM · May 20, 2022   ⓘ

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Haym Salomon @SalomonCrypto

May 20 · 18 tweets · SalomonCrypto/status/1527674938534019072

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>
> 11:32 PM · May 7, 2022
>
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(4/20) Eg: 2 DEXes with $USDC:$ETH pools, both have an exchange rate of 2000:1.

A whale buys A TON of $ETH from pool A. The exchange rate (set by x*y=k) moves to 2100:1 on that pool.

There now exists an arbitrage opportunity. Sell $ETH in pool A, buy in pool B.

(5/20) Every time you do this, your net $ETH amount stays the same. For every $ETH you buy, you sell one right back.

Because of the price difference. You're able to lock in profit without affecting your portfolio. It's risk free money!

(6/20) Not only is it profitable, crypto needs it!

Pool A has a higher price than B so we sell into it. A price goes down.

Pool B has a lower price than A so we buy from it. B price goes up.

Thus, by participating in arbitrage you're stabilizing price across the market.

(7/20) That's not the only kind of arbitrage we should celebrate, another example is liquidations.

Nobody like being liquidated, but we all should hope for a efficient and predictable process.

Let's (briefly) walk through a liquidation so you can see the role arbitrage plays.

(8/20) Eg: $ETH is $4k, I bring 10 $ETH to a debt protocol and take 15k $USDC. My liquidation threshold is 50%. I do not service this debt.

When the price of $ETH falls below $3k, my loan fell outside of the protocols risk tolerance. My collateral is now up for auction.

(9/20) The protocol needs to recover 15k $USDC. It does not need the best price, just a fast liquidation and to secure the 15k $USDC.

My 10 $ETH collateral goes to auction for 28k or more $USDC.

There now exists an arbitrage opportunity. Buy from protocol, sell into market.

(10/20) By doing this you lock in 2k $USDC with no change to your $ETH holdings

You've also provided liquidity to the debt protocol. Without deep liquidity for collateral liquidations, the protocol can't function

I ended up paying for all this, but it's my debt and my risk

(11/20) Not all arbitrage is good though. Have you ever heard of a sandwich attack?

Well you've definitely been the victim of one.

Evanss6.eth 🔵
@Evan_ss6

Here's a successful sandwich attack on Uniswap FARM/ETH pool:
1 (sandwich open): etherscan.io/tx/0x699de2603...
2 (target): etherscan.io/tx/0xd82a86f83...
3 (sandwich close): etherscan.io/tx/0x699de2603...

Profit: ~14eth ($24,000)

Target wasn't even pushed to minimum execution price.

7:13 PM · Feb 22, 2021

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(12/20) Eg: I want to trade $ETH for $CVX. You see me coming

You buy $CVX and drive up the price. I make my trade (and get less $CVX). You immediately sell your extra $CVX

You are $CVX neutral, but I raised the price of $CVX between your transactions. You have (my) extra $ETH

(13/20) This isn't just crypto stuff. The same idea manifests in the real world.

Market making, high frequency traders, M&A arbitrage, regulatory arbitrage...

All of it is just about looking for situations where you have an informational advantage and can can lock in a profit.
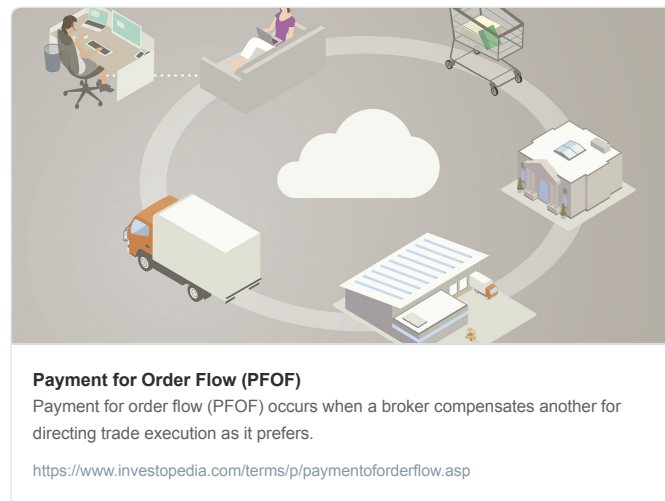
(14/20) Ever heard "if you aren't paying for something you are the product?"

Well... if you're not paying @RobinhoodApp for trades...

I wonder who is...

@citsecurities @VirtuFinancial 👀

I wonder why...

Payment for Order Flow (PFOF)
Payment for order flow (PFOF) occurs when a broker compensates another for directing trade execution as it prefers.

https://www.investopedia.com/terms/p/paymentoforderflow.asp

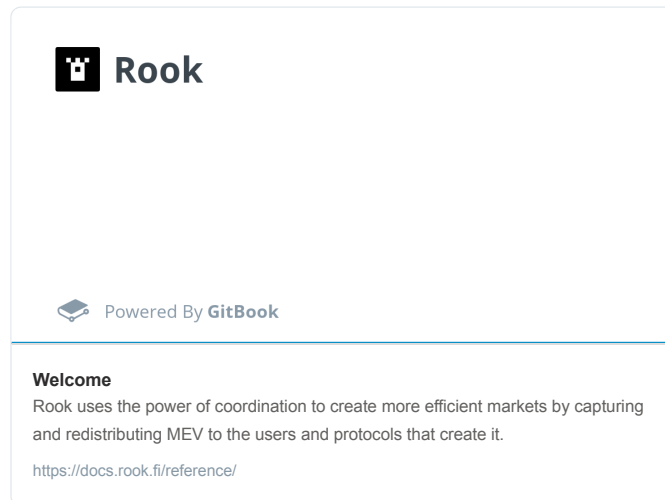(15/20) In crypto we have a huge array of people doing these kinds of activities. Most who started eventually gave up (poorer)

We know some who are still standing @jump_ @AlamedaResearch

Many we'll never know

Those that survive become the smartest and wealthiest on the planet

(16/20) But fear not! This is not all the realm of whales and institutions. De-Fi has its own solutions for everything!

Check out @Rook, a decentralized, crypto native network of bots who partake in these (and more) activities.

Welcome
Rook uses the power of coordination to create more efficient markets by capturing and redistributing MEV to the users and protocols that create it.

https://docs.rook.fi/reference/

(17/20) At the end of the day, arbitrage is the value you can extract from a system by having extra information and/or privileged access to it.

In crypto, we have another word for this.

We call it MEV.

(18/20) This is the start of a few threads I want to build up before I attempt MEV. Until then, I highly suggest reading up on Flash Bots and following @thegostep, @SalomonCrypto and the rest of the Flash Bots team.

flashbots/**pm**

Everything there is to know about Flashbots

👥 12	⊙ 4	💬 41	⭐ 2k	⑂ 190	
Contributors	Issues	Discussions	Stars	Forks	

GitHub - flashbots/pm: Everything there is to know about Flashbots
Everything there is to know about Flashbots. Contribute to flashbots/pm development by creating an account on GitHub.

https://github.com/flashbots/pm

(19/20) I was at @Permissionless and the MEV talk was the best part of the whole event.

Haym Salomon
@SalomonCrypto

Replying to @thegostep and @Blockworks_

I watched your talk at Permissionless

Cycle N-2 was CEXs (Binance, Coinbase)

Cycle N-1 was ICOs

Cycle N is/was alt L1s

Cycle N+1 will clearly be MEV marketplaces

Thank you and @hasufl for the best talk of the conference! Every time I hear from Flashbots I'm more in awe

11:38 AM · May 19, 2022

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(20/20) If you want to get ahead of the next crypto cycle, this is your chance;

I'm learning about MEV, thinking about what a world where MEV is openly traded. What does an economy built around that look like?

Hey @0xSami_... wen @redactedcartel Hidden Hand MEV market?

Blockchain at Berkeley
@CalBlockchain

Introducing the 0 to 1 Guide for MEV by @0xmebius

MEV, (Miner/Maximal Extractable Value) can be best described as any automated interaction you can do on the blockchain that has positive expected value.

calblockchain.mirror.xyz
The 0 to 1 Guide for MEV
By: 0xmebius

10:53 PM · Dec 21, 2021

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