KAVA $KAVA

Cosmos is an ecosystem of blockchains that can scale and interoperate with each other. Before Cosmos, blockchains were siloed and unable to communicate with each other. They were hard to build and could only handle a small amount of transactions per second. Cosmos solves these problems with a new technical vision.

But why Cosmos, isn't it more like a dead project?

Cosmos isn't a dead project, it has one of the most active github pages ever and big projects have been built on Cosmos like the Binance Chain. Cosmos' way of working is basically " Just buidl + infinite hackathons". On the other hand, Polkadot believes in "More marketing + Influencers + parachain auction referrals bonus program"

By this logic, I feel Cosmos is extremely undervalued.

Then why not invest into Atom?

Just buying Atom wont do real justice to the project. Once the masses discover the potential this ecosystem has, then smaller projects which serve a greater good to the ecosystem will start flourishing and will definitely do more X's than the native token.

So why KAVA?

Similar to Maker, users can borrow against collateral by opening a Collateralized Debt Position ("CDP") and, in return, receive a loan denominated in the platform's stablecoin, USDX. The smart defigods would realise the power of this, and use this more instead of just converting their main assets to stables and play around. Once they want to bridge back to their main chain, they can just get back their assets and extra assets they made and go back without the fear of being priced out.

KAVA has strong fundamentals $LUNA, $BNB and $SCRT are built on Cosmos SDK.

What is KAVA?

Kava has been built on Cosmos as a Proof-of-Stake blockchain that allows users to stake tokens and participate as validators in the network, providing governance for the network. Similar to Maker, it features a dual-token design with their USDX stablecoin being issued by their CDPs and being backed by any number of digital assets.

- KAVA is used to govern the Kava platform. Holders can vote to change CDP risk parameters, including the interest rate charged to borrowers (the "Stability Fee"), add new CDP types, and more.
- As borrowers pay down their loan, an amount of KAVA tokens equivalent in value to the charged stability fee is burned. This ultimately decreases the total supply of KAVA tokens over the long-term as demand for borrowing grows.
- KAVA is used to secure the blockchain as collateral staked by validators. These validators earn KAVA through block rewards and transaction fees.

Kava is a lending platform and its loans, referred to as Collateralized Debt Positions ("CDPs"), are at its core. Popularized by Maker, a CDP is an overcollateralized loan, allowing Kava to lend without taking on credit risk to its borrowers. Given most investors in the space have become quite well versed with the mechanics of MakerDAO and how CDPs work, KAVA as a platform would be really easy to use.

Use Cases :

1. Borrowing & Leverage: Users can borrow against collateral by opening a Collateralized Debt Position ("CDP"), which is an overcollateralized loan. This allows Kava to fund loans without taking credit risk to the borrower.
2.Stablecoin: Borrowers are lent money denominated in USDX, Kava's stablecoin, which is soft pegged to the US dollar. USDX allows users to transact with a cryptocurrency that has minimal volatility when compared to others
3. Savings: The USDX Savings Rate will allow holders to earn a yield on their USDX, similar to how a savings account works in traditional banking

Key Benefits

1. Cross-Chain Borrowing: Decentralized Finance is no longer limited to ETH. 2. Permissionless: Anyone with the internet can access its financial services.
3. Reduced Counterparty Risk: Collateral is held in smart contracts on a decentralized network (KAVA) rather than with a trusted third-party.
4. Transparent: Data is stored on the blockchain making it transparent and auditable.
5. Programmable & Efficient: Smart contracts can be programmed for a specific task (e.g. risk parameters) allowing them to automatically self execute. Opening a loan & settling a transaction can also happen faster than with traditional methods.

Key Differences :

Similar to the Maker Protocol, borrowers must overcollateralize their loans, to receive loans in the USDX stablecoin. Users pay their interest in USDX.
One interesting thing about Kava is the lucrative yield cycles set in place for yield farmers. Unlike MakerDAO, which doesn't allow users to supply MKR, holders can receive the KAVA token as a reward for minting USDX all while earning interest.

Additionally, an incentive program runs for four years, encouraging early adopters to borrow funds. Those that borrow can receive KAVA tokens as a reward. This is not possible with MakerDAO. However, Compound Finance has filled in this gap within the Ethereum ecosystem in different ways.

For example, the Kava Protocol is interoperable, supports a wide array of assets, basically enabling cross-chain DeFi. On the other hand, Maker is based on Ethereum, only allowing ETH and select ERC-20 tokens as collateral.

Unique to the Kava ecosystem is a feature where users of Kava can receive KAVA tokens and use them to borrow more funds in USDX. This shouldn't be confused with KAVA being the lender of last resort whenever there is unexpected market turbulence. The USDX stablecoin can also be used to hedge against risk while concurrently receiving earning interest.

Users can also supply KAVA in the Hard Protocol money market, receive HARD tokens, and use them to borrow more USDX. Users can then buy more, adding to those received as an incentive reward to borrowing, and in turn creating a long position for the long term. The Hard Protocol is one of the many dApps that will launch on the platform, taking advantage of its security, price oracles, and interoperability, increasing the number of assets available as collateral for borrowers.

Unlike Maker users who have to contend with high network fees, because Kava is built on the Tendermint SDK users are guaranteed fast settlement time, incentives for Kava stakers to secure the network, and easy applicability of the USDX in normal commerce due to high settlement time.

Maker is limited to Ethereum, KAVA aims to integrate ATOM, XRP, and BTC by leveraging Tendermint's Inter-Blockchain Communication (IBC) and Peg-Zones. IBC has yet to be launched, which means Kava's plans to bring CDPs to chains like ATOM, XRP, and BTC.

Coming to fees on KAVA and MKR.

COLLATERALIZATION RATIO	150%	150%
STABILITY FEE	5%	3%
LIQUIDATION PENALTY	12%	13%
LIQUIDATOR DISCOUNT	-	3%
PLATFORM	Cosmos	Ethereum
STABLECOIN SYMBOL	November 2019	Jan 2015

Daily TVL recorded in Cosmos ecosystem : (KAVA)

Total assets staked on KAVA :

Conclusion :

Total collateral on KAVA seems to keep going higher as people realise defi exists outside Ethereum as well. Once people get to know more how they can use BTC, XRP and other non defi native assets in a way to collateralise and get stables and utilise other ecosystems. Hence, the potential for Kava cannot be limited considering how Abracadabra Money offers yield only for ERC asset staking.