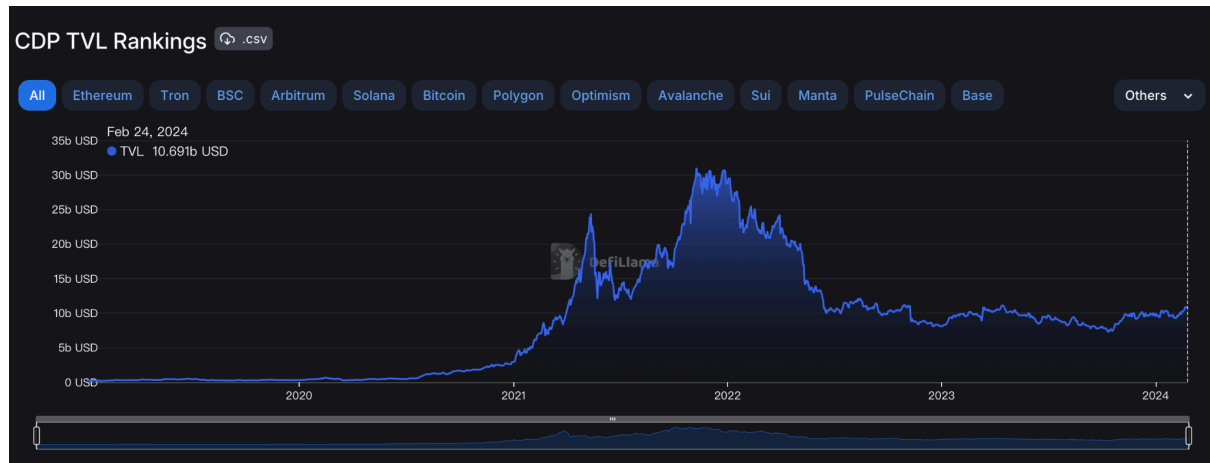


## Homework 3 Exercise 2 Part A

In order to answer this question, I need to evaluate MakerDAO's performance in the entire CDP market from four aspects. By evaluating its market performance, I can conclude the strength or weakness of MakerDAO's position in the market.

### 1. Competitors of MakerDAO:



As of February 24, 2024, the total locked value TVL of the CDP market is US\$1.069 billion, which indicates that the market size is relatively large and shows a certain degree of stability and maturity. After experiencing a sharp decline from the highs in 2021, the CDP market showed a smoother TVL trend between 2022 and 2024, which may indicate fluctuations in market confidence in CDP products and adjustments in demand.

Name	1d Change ↕	7d Change ↕	1m Change ↕	TVL ↕	Mcap/TVL ↕
1  MakerDAO 1 chain	+0.23%	+7.08%	+9.94%	\$6.435b	0.3
2  JustStables 1 chain	-0.62%	+0.57%	+20.47%	\$1.595b	
3  Liquity 1 chain	-0.14%	+5.70%	+31.10%	\$774.31m	0.19
4  Prisma Finance 1 chain	+0.62%	-2.07%	-23.89%	\$289.82m	
5  crvUSD 1 chain	+0.82%	+9.22%	+53.34%	\$255.2m	
6  Helio Protocol 1 chain	+2.62%	+7.56%	+117%	\$161.2m	0.33
7  LiquidLoans 1 chain	-3.43%	-13.20%	+22.10%	\$146.56m	
8  Abracadabra 7 chains	+0.46%	+3.95%	-5.55%	\$146m	0.71
9  Indigo 1 chain	+1.35%	-0.39%	+21.54%	\$96.39m	0.22
> 10  Lybra Finance 1 chain	+0.46%	+8.40%	-66.71%	\$87.17m	0.16

The second chart shows MakerDAO's ranking in the CDP market, currently ranked first with a TVL of \$643.5 million and a market cap to TVL ratio of 0.3. This shows




that MakerDAO has a leading position in the market and that its products are widely used.

The chart also lists MakerDAO's other competitors, such as JustStables, Liquidity, Prisma Finance, crvUSD, Hello Protocol, LiquidLoans, Abracadabra, Indigo, Lybra Finance, etc.

In summary, MakerDAO maintains its lead in the CDP market despite changing market dynamics and competitive pressures.

2. Performance of DAI:

As a leading decentralized finance (DeFi) protocol, MakerDAO occupies a prominent position in the entire CDP market through its stablecoin DAI.

Name	Chains	% Off Peg	1m % Off Peg	Price	1d Change	7d Change	1m Change	Market Cap
1 Tether (USDT)		-0.02%	+0.40%	\$1	+0.13%	+0.25%	+2.47%	\$97.876b
2 USD Coin (USDC)		-0.02%	+0.50%	\$1	+0.27%	+0.02%	+8.61%	\$26.952b
3 Dai (DAI)		-0.17%	+0.30%	\$1	+0.42%	+0.66%	-5.24%	\$4.854b

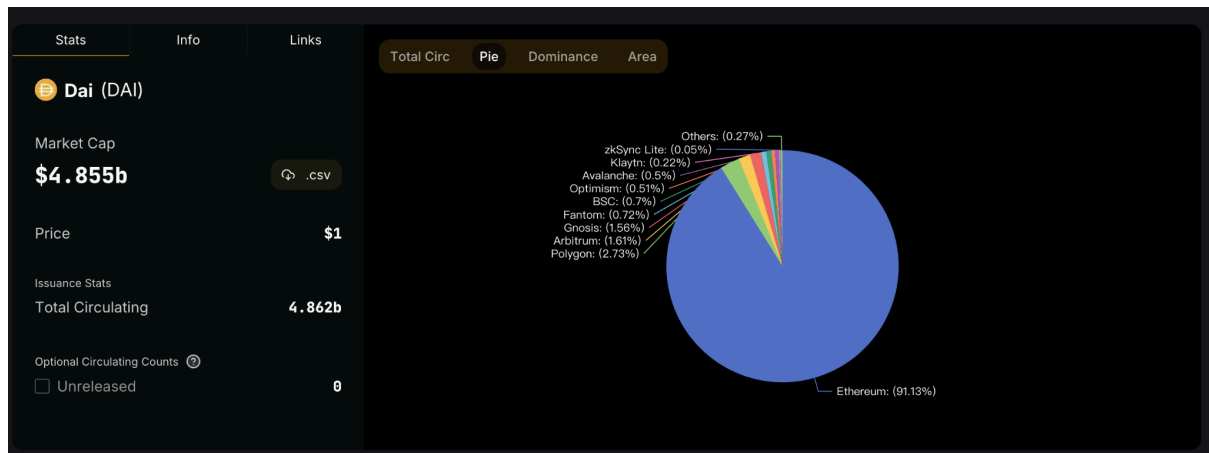
According to the data provided, DAI has maintained a high degree of price stability, although it has experienced slight price differences at different time periods, such as the price exceeding the anchor value by up to 0.30% in the past month, indicating short-term fluctuations in market demand.

Although the price has dropped by 5.24% in the past seven days, this volatility does not necessarily affect long-term confidence. DAI's market capitalization remains high at \$485.5 million, with circulating supply within a stable range of 486.2 million DAI.



The trend of DAI circulation shows that after reaching a peak of about 700 million DAI in mid-2022. Although the circulation declined, it stabilized in the second half of

2023 and remained between 480 million and 500 million DAI, reflecting market continued demand for DAI.



In addition, Ethereum's share of the stablecoin market is as high as 91.13%, which further proves the market dominance of Ethereum-based DeFi protocols such as MakerDAO.

To sum up, MakerDAO maintains a strong competitive position in the CDP market through its DAI stablecoin. The stable price and healthy circulation of DAI show the market's trust and dependence on MakerDAO.

### 3. Is staking DAI profitable?

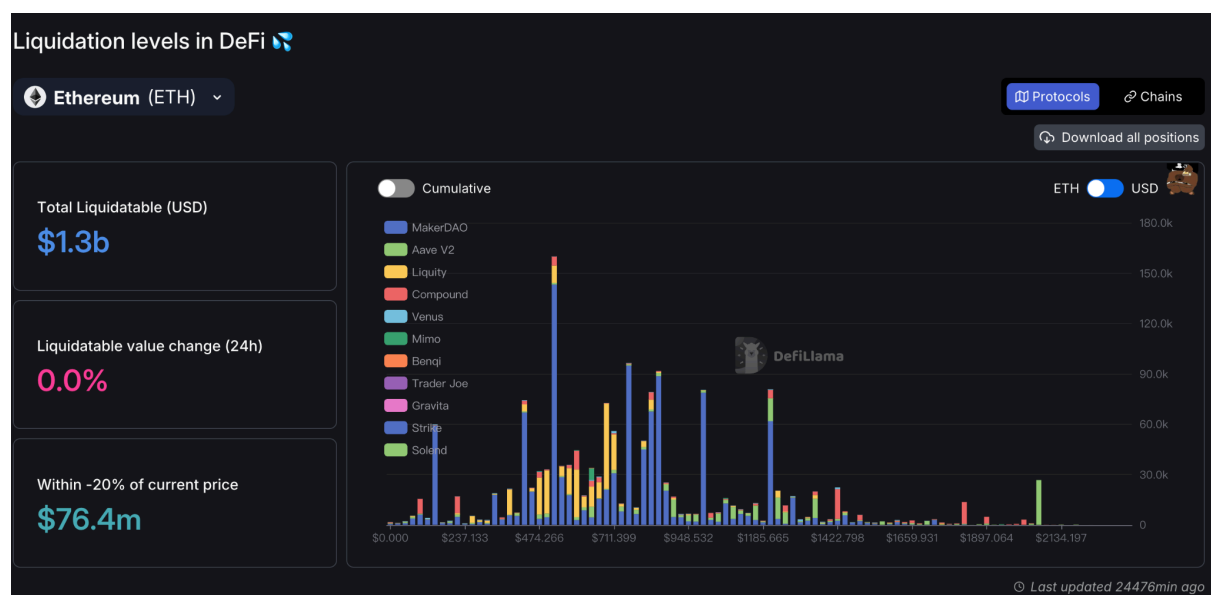


Analysis of DAI staking return rate reveals the healthy market status and investor confidence of the MakerDAO platform.

Specifically, DAI's annualized yield (APY) has shown fluctuations, but has generally remained within a healthy range of 2% to 6%. This shows that although changes in market conditions may cause the yield to fluctuate up and down, investors can still obtain stable profits by staking DAI. For example, APY peaks at over 6% in some periods and may drop to closer to 2% in other periods. This volatility requires investors to have market adaptability and strategic flexibility to maximize returns or reduce risk. The continued positive value of the median APY shows the viability of staking DAI as an investment method and strengthens MakerDAO's leadership position in the CDP market.

Overall, DAI's staking return reflects MakerDAO's success in risk management and investment attractiveness, while also demonstrating its stability and activity in the highly competitive DeFi ecosystem.

#### 4. Profit from liquidating the treasury:



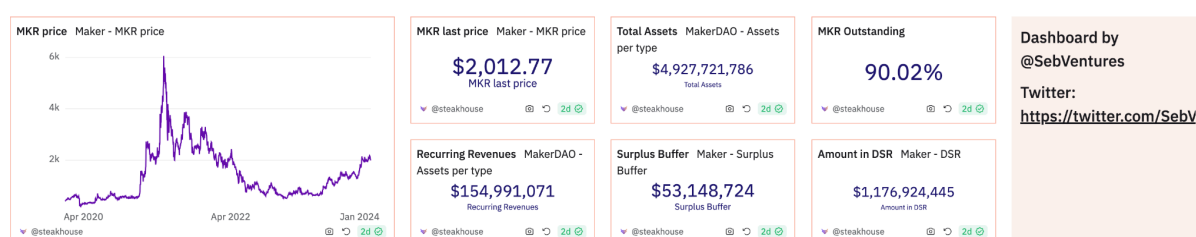
In the DeFi market, MakerDAO has demonstrated solid performance in risk management through the liquidation mechanism of its CDP platform. Although total liquidable value reached \$1.3 billion, indicating potential risks in the market, the stable liquidable value over the past 24 hours shows the current market stability. Even with a 20% market decline, only \$76.4 million of assets were at risk of liquidation, a small but significant proportion that highlights the impact of market volatility on liquidation mechanisms.

For MakerDAO, these indicators demonstrate the effectiveness of its risk management measures, maintaining its market leadership position over the

competition and earning the trust of its users. High-frequency liquidation events may have an impact on borrowers' confidence and platform stability.

Therefore, for MakerDAO, continued optimization of liquidation strategies and monitoring market dynamics are necessary to maintain its important role in the turbulent DeFi ecosystem.

Overall, MakerDAO's risk management strategy and liquidation framework support its leadership as a CDP platform and provide users with relatively stable and reliable services.



According to data from Dune Analytics, MakerDAO's financial health can be understood through the following key indicators:

**MKR price trend:** Starting in 2020, MKR price experienced significant fluctuations, gradually declining after a price peak, and showing signs of recovery around January 2024, with the latest quote at \$2,012.77.

**Cyclic revenue:** MakerDAO's cyclical revenue reaches \$154 million, which may include stability fees and fines from stablecoins.

**Total assets:** Total assets under management are \$4.927 billion, including debt and mortgage assets.

**MKR circulation:** MKR in circulation accounts for 90.02% of the total issuance, reflecting high market liquidity.

**Surplus buffer:** It has a surplus buffer of more than \$53 million for risk management and unforeseen expenditures.

**Deposit Rate:** Nearly \$1.177 billion of DAI is earning interest under the DAI Savings Rate (DSR) mechanism.

These figures show that MakerDAO demonstrates its leadership in the decentralized finance (DeFi) space, not only in terms of scale in asset management, but also in its risk management robustness through its financial mechanisms such as recurring revenue and surplus buffers.

MKR tokens maintain active circulation in the market, and their recovery after price fluctuations may also attract the attention of investors. At the same time, the significant deposit volume under the DSR mechanism demonstrates the platform's strong appeal to savers, further confirming its important role in the DeFi market.