Introducing Cadabra

Cadabra: make liquidity provision great again!

ATTENTION! The project has been shut down! Details can be found at:

https://cadabra.gitbook.io/v2/articles/announcement-of-cadabra-finance-stopping ↗

Everything written below on this and all other pages is no longer relevant and is provided for historical information only. If you continue to use the project website or its smart contracts, you do so at your own risk.

Cadabra is a cutting-edge yield aggregator designed to align the incentives of all key players in the DeFi ecosystem: liquidity providers (LPs), protocols and their teams/investors, yield-speculators seeking alpha, and influential community members. With innovative strategies and a new approach to yield speculation, Cadabra provides a win-win experience for everyone involved.

Current problems faced by LPs.

- Fragmentation Overload: Endless options for the same asset create decision paralysis.

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- Active management burden: Constantly monitoring yields across different protocols is time-consuming, creating FOMO for yields.
- Delayed Incentives: Many projects now offer rewards in the form of vested tokens or points, which can scare away liquidity providers seeking tangible yields.
- Lock-ins: Many protocols attempt to retain liquidity by enforcing lock-up periods, withdrawal delays, or exit fees. While these mechanisms help reduce liquidity outflows, they often create friction for users, making participation less attractive and limiting flexibility.

Current problems faced by protocols:

- Aggregator Parasitism: Current yield aggregators harvest protocol incentives, then dump tokens, creating constant sell pressure and undermining the token's value and long-term ecosystem health. These aggregators act as parasitic entities, draining liquidity without contributing to the protocol's growth.
- Delayed incentives: The use of vested tokens or points as incentives, while addressing the issue of immediate token dumping, presents a trade-off. By delaying the realization of yield, protocols risk discouraging LPs who prioritize tangible APRs over potential future gains.
- Liquidity monetization: Often, protocols face difficulties in deriving financial benefits from attracted liquidity, regardless of its origin. And traditional aggregators provide no tools for protocols to convert the liquidity they attract into meaningful revenue or sustained value.
- Liquidity retention: Protocols face a difficult balancing act: attracting liquidity with competitive, immediate APRs (without lock-ins) while simultaneously aiming for long-term liquidity retention.

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How Cadabra solves these problems

At the core of Cadabra lies "strategies": smart yield vaults that offload user-provided liquidity to the multiple underlying yield-generating protocols, with periodic rebalance between these protocols. This gives set-and-forget experience for the liquidity providers. All strategies use the "same denomination" principle, so there will never be strategies that rebalance between say ETH and BTC. We want to give no-IL experience for LPs.

Strategies can be universal (e.g., a USDC strategy) or tailored to individual protocols, functioning as a gateway to direct liquidity into specific ecosystems.

How Cadabra solves LPs problems

- Cadabra strategies provide LPs with a single entry point to multiple underlying yield sources, eliminating the need to search for optimal yields. Each strategy aggregates protocols with a similar risk profile and periodically rebalances allocations, removing the burden of active liquidity management.
- Cadabra's vote-driven yield speculation engine ensures that LPs receive APRs that gravitate towards the highest possible values, whether the yield speculators act rationally (prioritizing to the most profitable protocols) or irrationaly (voting for least performant yield sources).
- Real, tangible APRs: By separating LPs from yield speculators, Cadabra ensures LPs receive real-time, tangible APRs—regardless of where the underlying rewards come from: whether it's regular incentives, vested tokens, or points.

How Cadabra solves Protocols' problems

- Cadabra doesn't sell or capitalize on protocols' native incentives. Instead it creates a speculation market where different actors compete to capture protocols’ incentives, each driven by their own motivation and objectives.

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- Cadabra allows protocols to materialize points systems into immediate APRs, effectively monetizing these points and converting them into tangible yields to attract additional liquidity from users who were previously reluctant to participate in the points-based systems. The same principle applies for protocols that use vested tokens as incentives.
- Liquidity monetization: Through Cadabra, partnering protocols can generate yield from the liquidity they attract to their ecosystems. This provides a direct way for protocols to monetize the liquidity they draw in, effectively turning liquidity acquisition into a revenue stream.
- Liquidity retention: We want to give LPs complete freedom to enter and exit strategies without lock-ins or fees. But we also understand the risks of mercenary liquidity. Instead of imposing constraints, we've built a system that incentivizes long-term participation. Partnering protocols can employ our "holder bonus" to encourage LPs to stay committed to the protocol's dedicated strategies.
- Cadabra simplifies liquidity provision by offering protocol-specific strategies that provide LPs with unified access to all of a partner protocol's liquidity pools. Whether the liquidity resides on DEXs, Pendle, lending markets, or elsewhere, LPs can access it all through a single entry point.

Read more in our articles, documentation, and watch our training videos.

Next
Cadabra's mechanics

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