

Active investment strategies in DeFi (Aave)

**CRYPTO
BEAR
MARKET**

**CRYPTO
BULL
MARKET**

REGULAR CRYPTO

STABLECOIN

Borrow

- Value of crypto loan falls
- Higher Health Factor
- Lower liquidation risk

Use as deposit (collateral)

- Stablecoin holds its value
- Higher Health Factor
- Lower liquidation risk

Use as deposit (collateral)

- Value of crypto deposit/ collateral rises
- Higher Health Factor
- Lower liquidation risk

Borrow

- Stablecoin loan value remains the same
- Higher Health Factor
- Lower liquidation risk

Regular crypto like BTC and ETH experience significant daily price swings based on market supply and demand. Stablecoins, on the other hand, are engineered to remain steady usually maintaining a strict 1:1 ratio with their underlying asset (e.g., 1 USD = 1 Stablecoin)