Twitter Thread by Pedro Ojeda

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I've always tried phrasing my threads as educational know hows, this one is going to have a lot of opinions.

1. Update on Luna/UST coins.
2. Update on Terra Chain
3. "Wasn't this obvious all along?"
4. It is not all about the Tokenomics™

So much to say, such little sleep.

1) Luna/UST supply changes.

In terms of tokenomics, the game theory incentive came out. So much sell pressure and speed of contraction made Luna "a valuable asset" (as I erroneously called this scenario before).

Owning Luna now yields +999.99% APR (I think the dashboard maxed)

We will table (1 for now). 2) The Terra Blockchain.

A backstop to UST contraction giving Luna sell pressure, is Luna inherent value, as any blockchain token, for the demand of its blockspace.

As long as Validators continue validating, Luna would not go to zero.

I can tell you there is resolute conviction of all nodes and validators to support Terra in the foreseeable future.

Dapps:

Having coded smart contracts in Solidity (for Eth) and Rust (for CosmWasm like Terra), CosmWasm is simply so much more powerful it what it can do.

A lot of man hours has gone into building dApps on Terra. While most Alt L1s I see have merely copy pastes of Uni/Curve/Aave, Terra has some unique apps seen nowhere else. Top of my head, no preference: @angelprotocol let's you donate money in perpetuity and get tax credit,

@WhiteWhaleTerra is a community owned arb bot that let's anyone join the fun. @mars_protocol is on chain leverage + contract to contract uncollateralized loans with a twist. @sig_finance on-chain options trading. @vertex_protocol unchain forex trading. +++ many more

It was my thought that no matter who wants UST, if the peg returns, Terra will have a thriving ecosystem.

My blindspot was UST poses systemic failure to all these apps.

Who will use a network with such systemic risks? I foresee many forks of Terra to come.

Was it an attack?

Everything I saw was rumors (pics) and coincidences like the US congress hearing the next day, how well coordinated it seemed. But this post from @flipsidecrypto convinced me.

https://t.co/cAtIt1WtoG

> 1/6 On Sunday night, we started seeing a 6x increase in volume of transactions.
>
> These were likely bot driven and impeded Terra from being able to use its signature economic model to restore its UST peg.
>
> \U0001f9f5 pic.twitter.com/MwgDPSgjMY
>
> — Flipside Crypto (@flipsidecrypto) May 12, 2022

Spam bots spent thousands in failed txs, and I was impressed that Terra Chain did not freeze, it just kept going like a champ.

But I think Ddos attack also affected Arbs from effectively making profit and repegging UST. Aside from the chaos it created, Ddos did some legit damage

Regardless, an attack was fair game. Ironically I've talked to multiple finance friends yesterday who claim if only UST was 10x the market cap it would have literally been too big to fail. Since such an attack would have simply been out of anyone's reach. @Galois_Capital concur?

Now my worry. In an attempt to have Luna absorb UST faster and with lower fees. This proposal is likely to pass. This will increase the mint of Luna while helping UST holders…But…

In my non-expert opinion on the subject this will lead to oracle attacks, as described by Jump in this pic.

UST markets are SO THIN right now, anyone can easily manipulate the price of UST by buying or selling on CEX. Increasing on-chain burning liquidity = attack inevitable

Back to tokenomics (1).

So if Terra chain keeps going, eventually all the UST will be absorbed and Luna can start anew. In all my risk assessments this was the thing that gave me hope.

Because trust me when I say, the intellectual capital in Terra apps is world class.

But UST is indeed systemic, and it seems 13B out of the 18B wants out. 8B to go and another 2 days of pain.

And UST is not even being burnt at 1 - swap fee since this morning. Which tells me complete capitulation of UST holders.

Do hinted at a future of Terra with Collateralized UST.

Which reminds me, @LFG_org is beholden to the community as an entity owned by Terra Blockchain itself. Yet they have been silent.

Did the $2-3B in BTC reserves run out?

Are you waiting for UST supply to = remaining BTC reserve to the come announce “hey every UST is no fully collateralized!”

I am mad at the silence.

3. Was this obvious?

I can speak for myself. I’ve debated many a smart person here on twitter, true good lads too, and where we always parted ways was the following argument:

“If no one wants UST nor Luna, everything will go to zero”

I’ve always conceded this to be true (not kindly I’m ashamed to say).

I just also saw the case that everyone wants out of UST at the same time AND no one wants to use the amazing Dapps as a useless argument to have.

Here is the flaw we all had dear Lunatics, dear Do, dear me:

We thought everyone thinks and knows as much as we do about Terra.

“Of course a rational person will realize the peg returns eventually and Luna will with get more valuable. No one will sell at a loss obviously!”

But 17b UST does not care about my graphs, our devs, our stability monte carlos.

17b UST cares that when they wake up their savings are now worth 10% and they WILL sell.

Think Fast And Slow thought me that success is a little skill and A LOT of luck.

I always thought finance was different. Scour through my twitter you will find a person that blindly believed in technicals, valuations, rationality. But going forward I must learn not everyone…

Thinks like this. We are human after all. And Terra like all other cryptos when shit hits the fan are 20% Tokenomics ™, and 80% story, sentiment, and meme.

A pedestrian can have the right away when a car comes, but challenging the car is only going to get you in the hospital.

A moment of respect to all the people who warned of this. I never ignored you.
But I hope you understand now the analysis minded naiveté I came with. I always asked one thing from you, give me data.
But there was no data to give was there? Knowledge of human nature was the data.