Stablecoin Mega Yields

Chris Coney, Editor

weiss crypto

Table Of Contents:

Introduction

Hi, I'm Chris Coney. I've been a leading crypto educator for many years, and I have an urgent message for all investors.

A major crypto exchange has collapsed. Other bankruptcies have followed. And so, naturally, investors are running for the hills.

It's sad, to be sure, but not for the reasons you might be thinking.

What's sad is that too many investors are confusing these failures with decentralized finance.

The fact is, these failures are happening in the world of centralized finance, which has virtually nothing to do with DeFi.

All of us in the world of DeFi are doing just fine, thank you!

You see, in CeFi, where the failures have happened, investor funds are held in custody by a centralized organization — a company, for example.

That company is then controlled by a single individual or a small group of individuals.

Can you trust them? Are they keeping your money safe? Or are they using it for a Ponzi scheme? I don't know. Do you?

But with DeFi, we don't need to know. Because our money is not in their custody.

I control my money in the palm of my hand. Literally right here in the palm of my hand!

In DeFi, there's also no single individual or entity that makes the rules or controls the decision-making.

Do the failures we've seen in CeFi impact the broader crypto world? Do they drive investors away and help push market values down?

Sure. That's what always happens in the final stages of a crypto bear market. That's what always happens when a great, new bull market is in the making.

But for the pure yield opportunities I introduce to investors, it doesn't matter if the market goes up, down or sideways.

It doesn't matter if centralized exchanges are failing. It doesn't matter if the sky's falling.

They continue to crank out far higher yields than anything you can get from banks in the world of traditional finance or even at crypto exchanges in the world of CeFi.

I'm talking about yields ranging from 9% to low double digits. I use that for a portion of my savings.

Then, for investment funds, I go for even higher yields that involve more risk. Those yields currently run at 44% or more.

And with a small portion of my money, I go for even bigger returns.

It's all possible thanks to DeFi, which continues to mature and grow.

In all my experience, DeFi offers, by far, the best yield opportunities in the world today.

And no matter what, as we transition from the old, centralized crypto era … to the new, fully decentralized age of crypto, I think every investor, young or old, should understand what DeFi is and how it works.

In this report, I focus on opportunities you can find in stablecoins.

But first, let me tell you a bit more about myself.

I'm founder of Cryptoversity, a premier online platform for crypto education.

I'm also the host of the Cryptoverse podcast, which has received over 4 million views from investors all around the world.

I've spent years immersing myself in the world of cryptocurrency, learning how the technology works, investing early in promising coins and building relationships throughout the industry.

By focusing most of my investments in this emerging sector of the economy, I had the ability to retire at age 36.

But a life of sitting on the beach and splurging on luxuries wasn't enough. From the outset, my mission statement has been "Leading people to freedom through education and awareness."

When I saw how well this evolving sector aligned with my mission, I wanted to help more people discover the enormous power of DeFi.

Unlike so many crypto gurus out there who are only looking to jump on the next hype train, I truly believe in the technology and in the ability of DeFi to transform our economy.

I believe in its capability to empower investors and to lift people up in way that Wall Street and the banks never will.

But since crypto is not exactly the simplest asset class to understand, I started by creating a series of video tutorials that helped beginners get their bearings with crypto and DeFi.

Because of the ridiculously low yields in the traditional financial world today — and the unusually high yields available in the DeFi world right now— the timing couldn't be better.

So, I teamed up with Weiss Ratings to host this first introductory lesson of our DeFi MasterClass for 2023.

When I held my first Weiss DeFi MasterClass last year, the results were very gratifying, to say the least.

Hundreds of attendees wrote in to tell me how it helped them with DeFi, including yields far beyond anything that banks or the stock market could offer.

And since then, the yield banks offer has risen a bit. But it's still miserable.

Indeed, according to Bankrate.com, the average rate that U.S. banks currently offer on a 5-year jumbo CD is a meager 1.09%.

That's bad enough, don't you think? But it's actually a lot worse. Because to qualify for that 1.09% rate …

- You have to invest at least $100,000.
- You have to lock it in for five years.
- And if you want to take it out sooner, you've got to accept a stiff penalty.

Thanks, but no thanks!

What about money market accounts? Forget that!

According to the FDIC, the average yield on money market accounts is 0.23%.

That means if you invest $1,000, all you'll have to show for it at the end of the year is $2.30, not even enough for a cup of coffee.

Now, back in the day when inflation was still running at around 2% or 3%, you could kind of grin and bear it, right?

But not anymore!

Now, inflation is the highest it's ever been in 40 years. Now, in this new world of high inflation, decent yields aren't just a nice thing to have to maybe grow your savings a bit. Now, a decent yield is an absolute must in order to preserve your savings.

And if there's anything we can say with certainty in these crazy times, it's this: **You're not going to get a decent yield from your bank.**

Now before we go any further, I'd like to make sure there are no misunderstandings.

First of all, I am an educator, not an advisor. My entire 2023 DeFi MasterClass package — including the reports, video tutorials and online workshops — is intended to be purely educational.

It's not designed to give you timely signals on what to buy or sell. And I don't recommend you rush out willy-nilly to put serious money into DeFi before you understand the procedures and risks.

My main goal is to show you what I am doing with **my money**. Then, I hope this helps you decide, with further research or in consultation with your advisor, what you would like to do with yours.

Second, never forget that as a rule, higher yields come with higher risk, and lower yields with lower risk. That's true for all investing whether the risks are immediately apparent or not. (I'll tell you more about the risks in just a moment.)

Still, when I first discovered the high yields, especially those available on stablecoins, it definitely got my attention.

What Exactly Are Stablecoins?

As the name suggests, stablecoins are designed to be stable.

Most are pegged 1-to-1 to the U.S. dollar.

And most are backed by solid collateral.

As a result, they rarely fluctuate in price by more than a percent or so ... And even when they do, they almost always come back to par, or $1 even.

In the lingo of stablecoins, they rarely “break the peg.”

But rarely is not the same as never, and therein lies the first risk of stablecoins.

A prime example is the stablecoin TerraUSD (UST).

In 2022, it lost its peg in 2022 and suddenly collapsed in value.

Thankfully, no other stablecoins suffered a similar fate, and for a very simple reason:

As it turned out, TerraUSD was an experimental stablecoin based on a computer algorithm … which, in turn, was backed primarily by another experimental coin, Terra (LUNA).

In contrast, all other major stablecoins are backed by hard assets. So, even as TerraUSD collapsed, they retained their peg and continue to trade at or very near $1.There are dozens of different stablecoins, each one taking a slightly different approach to their construction and stability mechanism.

Some stablecoins are backed 1-to-1 with U.S. dollars in reserve, some are backed 1-to-1 with U.S. dollar denominated assets (such as short-dated Treasuries) and some are backed by $1 worth of some variable- price crypto asset.

Each has its own list of pros and cons, but to save you from doing the research we have done it for you.

In my opinion, two of the best stablecoins to start out using in DeFi are USD Coin (USDC) and DAI.

USDC

The USDC stablecoin is a joint venture between Coinbase Global and Circle .

It is a regulated stablecoin issued by Circle and backed 1-to-1 with U.S. dollar assets that Circle holds in custody.

USDC is minted when U.S. dollars are transferred from an investor to Circle, which then issues the corresponding number of USDC tokens to the investor’s DeFi wallet.

The process can also be done in reverse. USDC is burned — that is to say, destroyed — when an investor sends USDC from their DeFi wallet to Circle and then requests the equivalent in U.S. dollars be transferred to their bank account.

While this is technically how USDC coins come into circulation and are removed from circulation, most DeFi users do not have to concern themselves with the process.

Most major crypto exchanges and on-ramps will allow you to trade your national currency (e.g., GBP, EUR, USD) for USDC and then withdraw it to your DeFi wallet.

This means you are simply buying some of the existing supply of USDC instead of causing any new tokens to be issued.

Circle generates revenue through minting and burning fees as well as converting some of their dollar reserves into short-dated U.S. Treasurys. These Treasurys generate a yield that helps to fund their operations while staying highly liquid and convertible back to U.S. dollars to honor USDC redemption requests at short notice.

One of the requirements for gaining regulatory approval was to ensure that anyone using USDC who tries to engage in illegal activities could be stopped.

To that end, the smart contract that governs the USDC stablecoin allows Circle to freeze the USDC in any specified DeFi wallet address if it is requested to do so by law enforcement.

Circle does not have the ability to freeze the entire wallet; the DeFi infrastructure does not allow that. It only has the ability to prevent a specific wallet address from spending its USDC balance.

And I repeat: This mechanism is reserved exclusively for mandates from law enforcement.

This proved useful when a crypto exchange was hacked and a sum of USDC stolen. In that case, Circle was able to freeze the USDC in the hacker's wallet while law enforcement tracked down the culprit.

While it could be argued that the ability for Circle to freeze funds in this way is not in the true spirit of DeFi, it is the only way to anchor the USDC stablecoin in the highly liquid TradFi system.

So, you can consider USDC as a hybrid that acts as an ideal bridge between TradFi and DeFi, providing the best of both worlds — especially while DeFi is in its hypergrowth phase.

In Circle's words, USDC allows you to "upload your dollars."

All things considered, we view it as one of the best stablecoin choices available.

DAI

DAI predates USDC by a wide margin.

Initially, in the original version of the DAI stablecoin, it was known as single collateral DAI.

The idea was that, unlike USDC, DAI would be a stablecoin that existed entirely within the DeFi world, with no link to traditional finance.

The concept was that DAI would be “borrowed” into existence.

For example, if someone had $150 worth of Ethereum (ETH) in their wallet, they would be able to lock those assets in a smart contract and be issued with 100 DAI stablecoins.

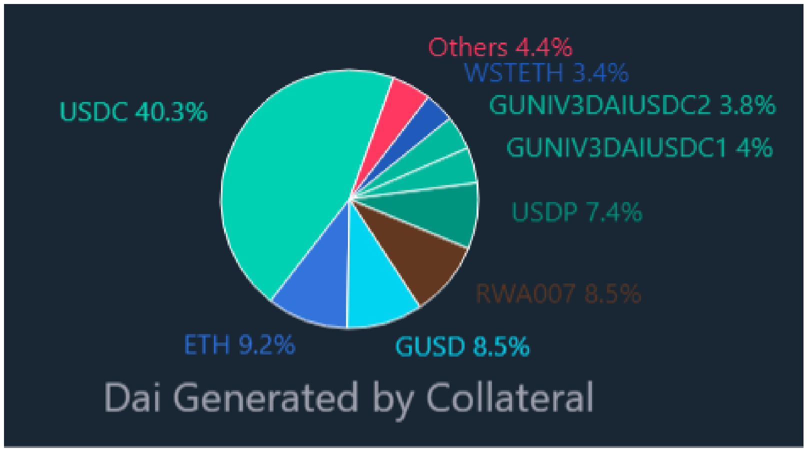
At the moment of minting these 100 DAI stablecoins (worth $100), they would be backed by assets that had 150% of the value.

If the market price of the ETH asset started to fall, you would be required to deposit more collateral or return some of your DAI stablecoins in order to maintain the 150% collateral ratio that was required.

Due to the inherent volatility of crypto asset prices, this method of keeping DAI stable was problematic. Thus, it evolved into the current version known as multi-collateral DAI.

The DAI stablecoins we use today are backed by multiple assets in order to protect its dollar peg from market volatility.

Here is a chart showing the basket of assets that are currently backing DAI at time of writing:



You see that DAI is now only backed 9% by Ethereum and, ironically, over 40% by USDC.

If USDC is entirely backed by TradFi assets, DAI is slightly less backed by TradFi and slightly more backed by crypto assets.

The major difference with DAI is that it is not issued by a company. It is governed entirely by the DeFi community.

That also means (upon a vote) the balance of assets backing DAI can be changed based on the opinion of the crowd.

As crypto markets become more liquid and volatility less extreme, it will lower the risk and increase the viability of backing DAI more heavily with crypto assets (bringing it closer back to the original model).

Where to Get Stablecoin Mega Yields

Stablecoin yields are attractive because they are the closest thing to an asymmetric return.

Normally returns are symmetrical (i.e., risk and reward increase in lockstep).

But stablecoin yields remind us somewhat of how savings used to be: You deposit your money and it earns interest, job done.

Stablecoin yields in DeFi, however, have the potential to offer a lower risk opportunity while offering better yields than anything available in the TradFi financial system today.

This is largely due to the greatly reduced cost of offering financial services on DeFi infrastructure as well as the benefits of having a financial network that is inherently global and frictionless.

There are also many things you can do with DeFi technology that were simply not possible before.

But there's no such thing as perfection. And as I said at the outset, do not expect any DeFi opportunity to be 100% risk-free — even with fully backed stablecoins.What follows next is a list of DeFi platforms to check out that offer some of the most attractive stablecoin yield opportunities.

Gains Network

Every CeFi service that exists will be (and is being) systematically rebuilt on new DeFi infrastructure.

We have centralized crypto exchanges that act as on-ramps and bridges between TradFi and DeFi. But in terms of trading, there are decentralized alternatives.

The first product created by Gains Network is called gTrade, a decentralized perpetuals exchange running on the Polygon network.

It offers traders the ability to trade crypto, stocks and foreign exchange directly on the blockchain in a noncustodial fashion.

Gains Network maintains a DAI vault that acts as a bankroll to the exchange. It pays out when traders make a profit, and it takes in money when traders make a loss. It also takes in trading fees on every transaction.

By depositing stablecoins in the DAI vault, we help to fund the exchange's bankroll and, in return, share in the fees generated by trades on the platform.

The yield is directly related to the amount of volume traded on the platform, as the money we earn is a share of trading fees.

This is an up-and-coming exchange with a team of 10 people working diligently and continuously to make it better.

Taking advantage of this opportunity is simply a case of acquiring some DAI and then staking it in the DAI vault on Gains Network.

Once you do that, you immediately start earning the yield derived from the trading activity that follows.

The only thing to note before you proceed is that withdrawing your money from the DAI vault must be done in 25% chunks and can occur once every 24 hours.

This is to help prevent any sudden shocks to the bankroll that could leave the exchange undercollateralized.

Does this guarantee Gains Network is 100% foolproof?

No. In the unlikely event of a severe and rapid market crash — plus, at the same time, a lag in the mechanisms for maintaining collateral levels — investors staking on Gains could lose money.Step-by-Step Guide to Staking on Gains Network

These instructions assume you have already followed our guidance on setting up your DeFi wallet and connecting it to the Polygon network.

1. Acquire some **DAI** stablecoins from your desired exchange or on-ramp (Coinbase, Kraken etc.) and withdraw them to your **Ethereum Wallet**.

2. Use the **Polygon bridge** at https://wallet.polygon.technology/polygon/bridge/deposit to move your **DAI** from the **Ethereum network** to the **Polygon network**.

3. Swap 5 **DAI** into **MATIC** using https://uniswap.exchange. This is to ensure you have enough **MATIC** to pay **Polygon network** transaction fees.

4. Go to https://gainsnetwork.io/pools/.

5. Click **Connect Wallet** in the top right corner.

6. Scroll down to **DAI Vault** and click on the **Approve DAI** button. Confirm the transaction when your wallet pops up and then let it run. Once the transaction is confirmed, the **Approve DAI** button will change to **Stake DAI**.

7. Enter the amount of **DAI** you wish to stake into the box next to the **Stake DAI button**.

8. Click the **Stake DAI** button. Confirm the transaction when your wallet pops up and then let it run. Once the transaction is confirmed, the **Current Stake** number displayed in the **DAI Vault** should update to match your deposit amount.

9. Monitor your **Pending Rewards** to see how much you have earned.

ClearPool

Certain financial institutions exist for the sole purpose of making markets function more efficiently.

They do this in myriad ways, such as ensuring the assets people want to buy and sell are available when they want them.

They may also exploit opportunities in which the price of an asset differs slightly in two different places. By buying in one place and selling in the other, they can equalize the price across the board and make a small profit in the process.

The primary resource these institutions need in order to operate their business is U.S. dollars.

Because their profit margins are quite thin, they need to deploy as much capital as possible. The way they typically enhance their profits is by taking out unsecured loans.

These organizations typically operate in the background and have traditionally only borrowed from other financial institutions.

With the advent of DeFi and platforms like ClearPool, the opportunity to lend to these institutions has opened to the wider investor community.

The ClearPool platform features a lending pool for each of the financial institutions it has identified and vetted. Each institution also gets a special rating to indicate to lenders what the risk level is.

While these loans are unsecured, there are two major factors mitigating this risk.

1. These financial institutions are identified and thus have great reputational risk. If any of these names are brought into disrepute, they could rapidly find themselves out of business.

2. Borrowing is a two-step process:

   a. First, lenders deposit funds into the ClearPool smart contract. This collection of funds is measured as **Pool Size**.

   b. The financial institution withdraws its desired amounts from the available **Pool Size** as and when it wants.

   The total amount it has withdrawn is measured as **Utilization**.

Interest on the loan is simply added to the **Utilization** number and shared among everyone who deposited in the pool.

Any amount of the pool that remains unutilized is available for lenders to immediately withdraw.

Step-by-Step Guide to Staking on ClearPool

These instructions assume you have already followed our guidance on setting up your DeFi wallet.

1. Acquire some **USDC** stablecoins from your desired exchange or on-ramp (Coinbase, Kraken etc.) and withdraw them to your **Ethereum Wallet**.

2. Go to https://app.clearpool.finance/lend and connect your wallet

3. Identify a **Permissionless Pool** with a utilization rate under 85% but with a good annual percentage rate, and then click on that pool.

   A lower **Utilization Rate** means more funds are available for immediate withdrawal from the smart contract.

4. On the **Provide** tab, enter the amount of **USDC** you wish to deposit into ClearPool, click the **Provide** button and then run that transaction when your wallet pops up.

5. Your USDC will now begin accruing interest at the prevailing rate.

6. When you wish to exit the pool, return to the pool details page and click on the **Withdraw** tab, enter the amount to withdraw and then click the **Withdraw button**.

ClearPool operates lending markets on both the Ethereum and Polygon networks. If you wish to lend on the Polygon network and save money on transaction fees, simply select **Polygon Market** at the top of ClearPool.

The Polygon and Ethereum markets operate separate lending pools. Some financial institutions operate lending pools on both networks.

If you need to bridge your USDC over to the Polygon network, you can do so by using the P**olygon bridge** at https://wallet.polygon.technology/polygon/bridge/deposit.

cBridge

In the two previous sections, we have referred to bridges. These are services that allow certain assets to cross from one network to another.

Bridges are a type of exchange. The assets are not really moving from one network to another; they are being exchanged on one network for another.

Normally when we conduct a crypto asset exchange, we swap one crypto asset for another. In this case we don't want to swap one asset for a different asset; we want to swap an asset for the same asset but on a different network.

This means if we want to bridge some USDC from the Ethereum network to the Polygon network, we are surrendering ownership of our USDC on Ethereum to someone else who in turn is surrendering ownership of their USDC on Polygon to us. It is a cross-network trade for the same asset.

The way we generate a yield from this transaction is not by using the service to bridge our assets (as in the two previous examples in this report), but rather by providing the service itself.

When someone bridges assets from one network to another, the bridge charges a fee, and it is this fee that generates the yield for those who are staking their assets to facilitate the bridging service.

Step-by-Step Guide to Staking On cBridge

1. Go to https://cbridge.celer.network/liquidity and connect your wallet to the app.

2. Click on the USDC pool to inspect the stats across all the networks cBridge operates on.

3. Click the + button next to whichever network you currently have your USDC on.

4. Enter the amount of USDC you would like to deposit in the Input box.

5. Note any disclaimers presented by cBridge for the pool you are about to join and click the Add Liquidity button if you wish to proceed.

   You may first have to run an approval transaction if it is the first time you are using your USDC on cBridge.

6. Once the transaction depositing your funds has been confirmed on the network, it will appear at the top of cBridge under **Your Total Liquidity**.

7. Click the **Only Show My Positions** toggle to hide all other assets that are not relevant to your deposit or earnings.

8. When you wish to withdraw your funds, click on the Arrow Icon next to the network your USDC was originally deposited from.

9. Set the amounts to 100% and then click the **Aggregate and Remove Liquidity button**.

As people bridge their USDC from one network to another, your funds will move around in line with that. By the time you wish to withdraw, your funds may be split across multiple networks in varying amounts.

The **Aggregate** feature is provided by cBridge to submit one transaction and recall any funds scattered across different networks back to the network of your choice so they can be withdrawn to your private DeFi wallet.

The only other thing to note about the APY on cBridge is that the yields are often enhanced by paying additional rewards in the form of CELR tokens.

Our recommendation if you receive these tokens is to swap them into more USDC by using https://uniswap.exchange. Tutorials on exactly how to use Uniswap are available in the main DeFi Revolution course videos.

A Note on Security

DeFi is often touted as benefiting from being a noncustodial financial system.

This is true in the traditional sense but not in the technical sense. DeFi doesn't remove intermediaries to financial transactions; it replaces **human** intermediaries with **autonomous, software- based** intermediaries called smart contracts.

Smart contracts are explained more fully in the DeFi Revolution course videos. The main point to understand here is that when we invest our stablecoins into any DeFi service, we are turning over custody of them to the relevant smart contract.

This is far safer than the TradFi system, as the smart contracts are limited to only handling funds in the ways they were programmed and will only return assets back to the wallet that originally deposited them.

The reason it is important to understand this distinction is that, while our assets are held in a smart contract, they are technically out of our custody and are pooled together with all other user funds.

This makes smart contracts a target for hackers who aim to exploit security flaws that allow them to withdraw funds that do not belong to them.

We minimize these risks as much as possible by using well- established DeFi apps that have gone through security audits. But it is our responsibility to make sure you are aware that this risk does exist, however small it is.

Security flaws that can be exploited by hackers exist in both TradFi and DeFi. The difference with DeFi is that this is the only layer of risk we are exposed to. TradFi suffers from many additional layers of risks that are associated by having human- controlled custodians.

Help Us Keep This Report Accurate

The DeFi apps that we feature in this report will inevitably make changes to their interface and layout.

When this happens, the step-by-step instructions we provide here go out of sync with the real world.

If you discover such a discrepancy when following our guidance, please contact us via https://weissratings.com/en/contact-us so that we can make the appropriate updates.

For the exclusive use of subscribers to 2023 DeFi MasterClass
11780 US Highway 1, Palm Beach Gardens, Fl 33408-3080
Phone: 877-934-7778