

BEES.Social Discusses What Is Impermanent Loss in Newly Released Video

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BEES.Social, a decentralized autonomous organization (DAO) that allows members to really comprehend the decentralized cryptocurrency ecosystem, has released a YouTube video that discusses what is impermanent loss. The video features a presentation by Karim Valimohamed, who has a background in engineering and social governance. Karim describes and provides a clear and concise explanation about the concept of impermanent loss, which is often misunderstood by most people. The video walk-through ensures that the concept of impermanent loss can be easily understood.

Karim starts by examining the concepts of traditional currency exchange transactions, liquidity, transaction fees, and convenience in the crypto world and whether there is a better way to do this using blockchain technology, such as exchanging tokens securely with lower transaction fees and more conveniently. He then explains the concept of decentralized finance or DeFi, which has two important qualities: transparency and permissionless-ness. Rather than the traditional markets composed of buyers and sellers, DeFi platforms utilize automated market makers (AMMs) that permit digital assets to be traded in a way that is automatic and permissionless by using liquidity pools.

A liquidity pool is a crowdsourced collection of cryptocurrencies or tokens that are locked in a smart contract that is then utilized for making trades between the digital assets easier through a decentralized exchange or DEX. Liquidity pools work because they provide incentives for liquidity pool providers, for instance, by allowing them to get crypto rewards and earn trading fees from the exchanges upon which they pool tokens. Thus, when a user provides a particular pool with liquidity, he or she is given liquidity provider (LP) tokens. These LP tokens are digital assets and can be used in the DeFi ecosystem in various ways. The amount of LP tokens received is in proportion to the liquidity they supplied to the pool. Those who want to better understand these concepts can visit the BEES.Social website at <https://socialbees.io/>.

Meanwhile, DeFi protocols such as PancakeSwap, SushiSwap, or Uniswap, allow practically anyone with

funds to take on the role of a market maker and earn some trading fees. Impermanent loss is a concept that people who want to provide liquidity to such platforms have to understand. Impermanent loss occurs when the price of the assets deposited by the liquidity provider decreases compared to their price when they were deposited. This usually happens when there is a change in the price of the assets in the pool. This means less dollar value at the time of withdrawal compared to when it was deposited. In the video, Karim presents an impermanent loss calculator that allows a person to determine how much loss will occur under a certain situation.

Thus, from the point of view of the liquidity provider, it would have been better to just hold on to the assets rather than deposit them into the pool. The question then is why would liquidity providers deposit assets to a pool if there is impermanent loss. The answer is that trading fees and other crypto rewards can counteract this loss. For instance, Uniswap charges 0.3 percent on every trade and this is given directly to liquidity providers. Thus, if there is a sufficiently large volume of trading occurring in a particular pool, liquidity providers can still profit despite heavy impermanent loss. However, this will depend on a number of factors and there is still the possibility of an impermanent loss based on certain conditions and depending on the AMM. Thus, the risk of impermanent loss must always be considered before depositing funds into an AMM.

BEES.Social is a community where people can get educated on decentralized finance or DEFI and cryptocurrency for free. It also has its own exchange for tokens and liquidity pools that provide rewards that can be utilized in other pools that yield actual tokens. It is a DAO, which is the first of its kind in the world, that has as its sole mission to give people the vital information and education that can help them in taking advantage of the opportunity being offered by the crypto revolution. It should be noted that they are not an investment group and neither are they day traders.

People who are interested in learning more about the cryptocurrency revolution and want to watch more videos regarding this can subscribe to SocialBEES Youtube channel.

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BEES.Social

BEES.Social is the world's first Decentralized Autonomous Organization (DAO) solely focused on empowering people with the education needed to take advantage of the Crypto Revolution.

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