

# LP Regime Assessment

## Rules & Methodology (Example)

This document describes the rules-based framework used by LP Regime Assessment to evaluate whether providing liquidity (LP) is appropriate for a given asset pair during a monthly period. The framework evaluates historical market behavior only and does not predict price direction.

### 1. Capital Allocation Framework

Monthly deployable capital is assumed to be \$1,500 and allocated according to a fixed rule:

- 1 40% — Stable yield reserve (e.g., USDC on Aave)
- 2 40% — Liquidity Provision (LP), deployed only if regime conditions are met
- 3 20% — Discretionary exposure (e.g., ETH or other major assets)

### 2. LP Range Definition

A fixed LP price range is defined at the start of each evaluation period and remains constant for 30 days:

- 1 LP Low: lower bound of the liquidity range
- 2 LP High: upper bound of the liquidity range

### 3. Daily Candle Classification

Daily High and Low prices are used (not closing price) to classify each day:

- 1 In Range: Daily High and Low remain within LP Low and LP High
- 2 Touched Edge: Daily High equals LP High or Daily Low equals LP Low
- 3 Broke Range: Daily High exceeds LP High or Daily Low falls below LP Low

### 4. Minimum LP Eligibility Conditions

LP deployment is considered acceptable only if the following minimum conditions are met:

- 1 At least 14 In-Range days within the last 30 calendar days
- 2 Limited duration and frequency of range breaks

### 5. Yield & Performance Tracking

If LP is active, performance is tracked using the following metrics:

- 1 Daily yield percentage (fees earned / deployed LP capital)

- 2 Consistency of fee generation during in-range days

## 6. Monthly Output

At the first day of each month, the framework produces:

- 1 Binary LP ON / LP OFF decision
- 2 LP Quality Score (0–100)
- 3 Risk notes and regime classification

## Disclaimer

This document is for educational purposes only and does not constitute financial advice. Liquidity provision involves risk, including impermanent loss and smart contract risk.