Subnet pools hold more liquidity than trading needs.

ASMR turns the excess back into price.

In dTAO, liquidity enters subnet pools with emission, not in response to trading demand. This brief summarizes two research papers on what that costs, and on ASMR (Alpha Subnet Market Reloaded), a feedback loop mechanism that matches the supply of liquidity with the demand for it.

+196%
liquidity since June 2025 in the ten most liquid pools of September 2026, while their trading fell 61%

−69%
daily volatility of the subnet index (YCX) since June 2025: 2.07% to 0.64%, below the S&P 500 (0.74%)

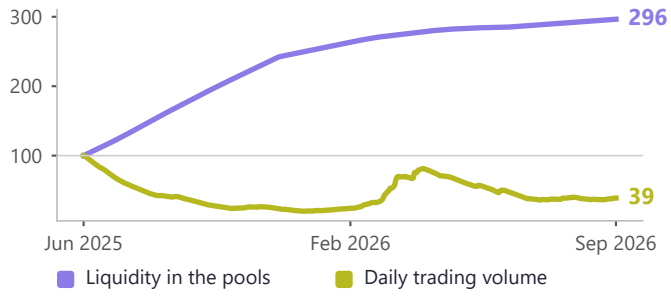
+49%
simulated gain in price responsiveness in two years with ASMR in a flat market, against doing nothing

+44%
per year: simulated gain of the subnet index with ASMR in a flat market, against 0% without

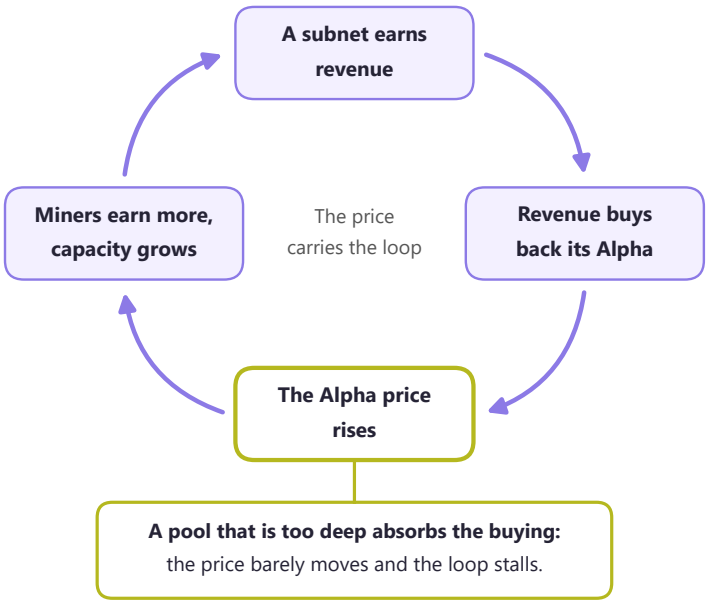
1. THE PROBLEM: LIQUIDITY SUPPLY IS DISCONNECTED FROM DEMAND

- **Liquidity follows emission, not trading.**
  TAO emission enters the pools every day. In the ten most liquid pools of September 2026, liquidity grew 196% since June 2025 while trading fell 61%.
- **Price discovery is muted.**
  A 1,000 TAO buy moved the Chutes price by 1.7% in June 2025. In September 2026 the same buy moves it by 1.0%.
- **Breakouts get harder, even with demand.**
  Directional trading in Lium rose 144% since June 2025, yet its pool is 3.2 times deeper. A 100K TAO buy that would have taken its price to 8.6x now takes it to 2.6x.

Liquidity up, trading down
Ten most liquid pools, June 2025 = 100



2. WHY IT MATTERS: THE SUBNET FLYWHEEL



- **The Alpha price pays the miners.**
  Miners are paid in Alpha. When its price rises, the same emission funds more capacity and better service.
- **A muted price stalls the loop.**
  When a pool is deeper than its trading needs, revenue that buys back Alpha no longer shows in the price.
- **The same depth cushions failure.**
  A subnet that loses its users keeps a deep pool, so its price falls slowly and keeps drawing emission.

Limited price upside constrains miner growth.
Miners are paid in Alpha, so their budget for capacity is the market value of emission. It grows when the price does.

3. HOW ASMR WORKS: A CONTINUOUS FEEDBACK LOOP

ASMR (Alpha Subnet Market Reloaded) is a feedback loop mechanism that matches the supply of liquidity with the demand for it. It continuously measures the liquidity each pool uses and releases the excess at a controlled pace.

EMISSION

Emission keeps adding liquidity to the pools, regardless of trading need

→

1 MEASURE

How much each pool trades against its depth, against a network-wide benchmark of execution quality

→

2 RELEASE

Pools that are too deep release TAO and Alpha in proportion. The TAO goes to a vault and the price does not move

→

3 RETURN

From the vault the TAO goes back to the same pool (option 1), to other subnets (option 2) or stays there (option 3)

Continuous monitoring of trading needs, controlled reallocation of liquidity

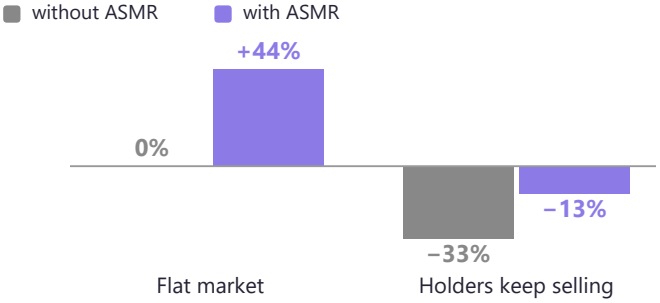
ASMR CAN ALSO HELP WITH OTHER OPEN QUESTIONS

- **Collateral for lending**
  A vault kept apart from the trading pool can back protocol-native lending.
- **Smoother pool upgrades**
  A separate vault keeps the pool logic simple and easier to upgrade.
- **More gamma incentives**
  Weights based on gamma consumption would reward real usage (option 2).

4. KEY RESULTS

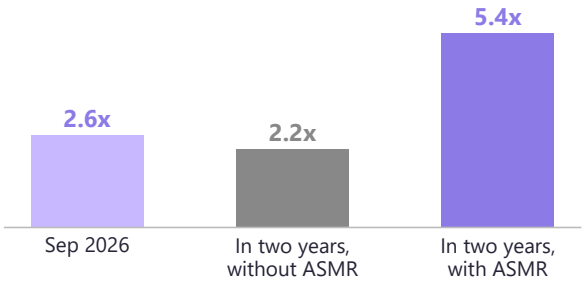
Two-year simulations, not a prediction, of ASMR option 1 from the chain state of September 30, 2026, 128 subnets

Subnet index (YCX*), change per year**



Room to break out**

Lium price after a 100K TAO buy, against September 2026



+49%
price responsiveness in a flat market: slippage 1.31% with ASMR, 0.88% without

−13% vs −33%
per year with and without ASMR, if holders sell at the pace of the last 6 months

280K vs 100K
TAO needed to take Lium to 5.4x in two years, without and with ASMR

87M Alpha
retired from the pools over two years. Alpha earned by participants is never burned

* YCX: Yuma Composite Index, a market-cap-weighted, price-based index of subnet Alpha prices in TAO. It tracks the overall subnet market.
** Simulation results, not a prediction. They do not include investors or traders who buy ahead of the change or take profit.

5. WHERE THE RELEASED TAO GOES DECIDES WHO GAINS

		YCX per year, flat market	if holders keep selling
ASMR option 1	**Back into the same pool** The value stays in the pool that earned it, and its price rises.	+44%	−13%
ASMR option 2	**Spread across subnets by a weight vector** Emission weights, validator baskets or any vector a subnet cannot cheaply move.	+27% to +30%	−17% to −13%
ASMR option 3	**Kept in a protocol vault** The value leaves the subnet.	0%	−36%

Removing liquidity from a pool without returning the TAO (option 3) leaves Alpha holders worse off.

OPEN QUESTIONS FOR THE COMMUNITY: THE PACE, AND WHO RECEIVES THE RELEASED TAO

Next: a community review. A natural next step: a block-level simulation. Read the research, or feed it to your agent:

Part 1. The diagnosis. **Part 2.** The feedback loop.

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