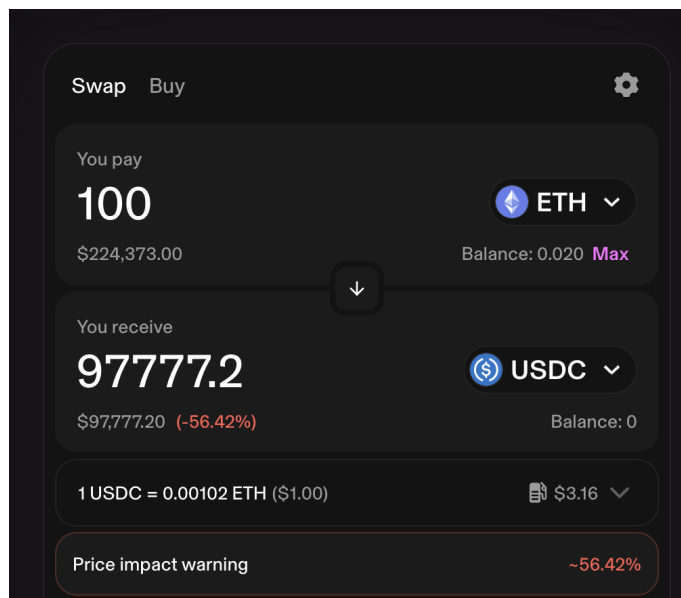


What is price impact?

Price impact refers to the change in the market price that is brought about due to the execution of a transaction. Price impact is determined by the trade size relative to the available liquidity. In general, as each token purchased results in less available supply, it follows that the price of each additional token unit increases accordingly. Put simply, the more tokens demanded by a trade, the higher the average price per token as tokens will have to be sourced further and further from the market price (in other words the market price only indicates the price of the next available token).

You can always see the estimated price impact when you decide how much you wanna buy/sell. If you wanna buy big amounts that of course will move the price more even in a balanced pool.



As an example, the screenshot above taken from Uniswap indicates that a 100 ETH to USDC trade would result in a 56.42% price impact. This means that such a trade would result in the trade paying, on average, 56.42% more ETH per USDC token as compared to the current market price.