

Weekly Global Market Commentary

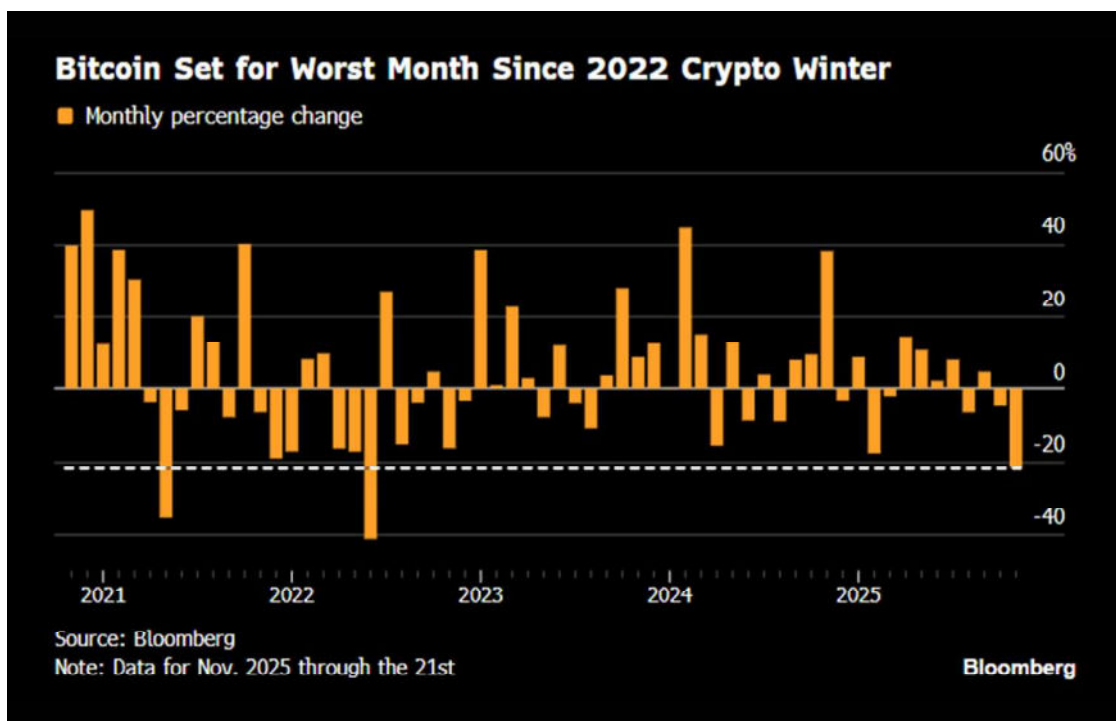
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Stablecoins: The Next Phase of Global Payments and Infrastructure

by Siye Desta, CFA, Quantitative Investment Strategist

Stablecoins are emerging as the next phase of the dollar system. A payment stablecoin is a crypto-token designed to hold a fixed value, usually one U.S. dollar backed by safe dollar-denominated assets such as bank deposits, Treasury bills, or money-market funds. The U.S. now leads the world in the regulation and market plumbing that make this model viable at scale, and that leadership creates a plausible path to “re-basement”: reinforcing, not eroding, dollar hegemony as value moves on blockchains with stablecoins as “digital cash”.

Bitcoin’s lack of native omni-chain support limits its utility as a settlement asset compared with stablecoins, which can operate across multiple chains. While Bitcoin often outperforms other assets during bull cycles, its returns have been extremely volatile, as seen over the past month. Nonetheless, many institutional studies argue that a small allocation (1–2%) can improve a portfolio’s risk/return profile because of Bitcoin’s low correlations to other assets, though the risk of a large drawdown remains very real.



Regulatory Landscape

The GENIUS Act defines payment stablecoins, sets reserve standards, and allocates oversight between banking regulators and the Office of the Comptroller of the Currency for non-bank issuers. It also aligns federal and state regimes, reducing the regulatory ambiguity that had discouraged large financial institutions from issuing or using stablecoins.

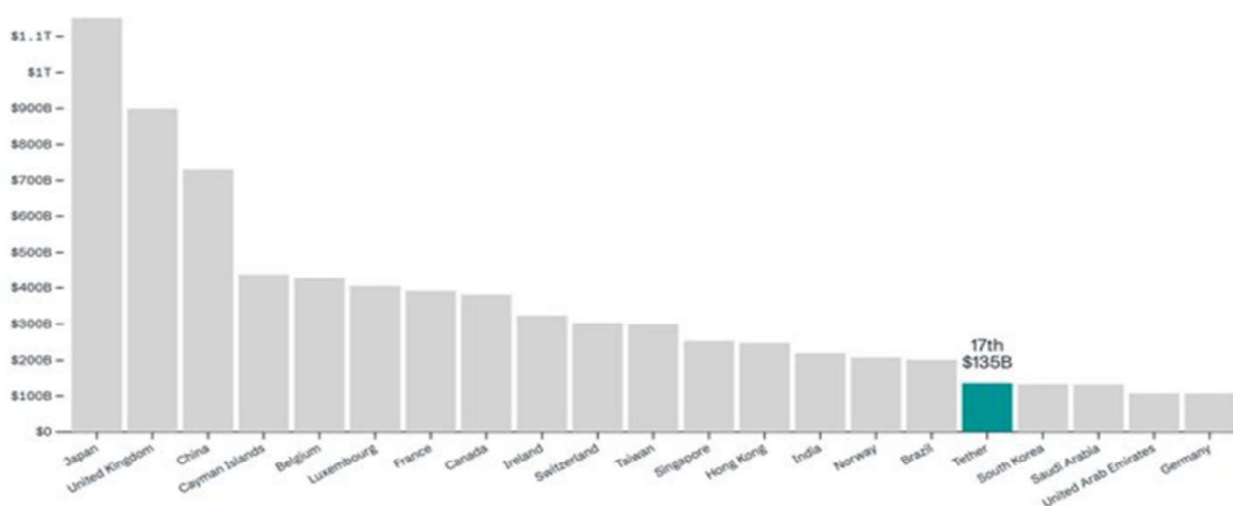
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Market Growth & Projections

Tether, the largest stablecoin issuer, has already become one of the largest holders of U.S. sovereign debt, with \$135 billion in Treasuries as of October 30, 2025. Research shows Tether holds so many U.S. Treasury bills that its demand lowers short-term yields. In other words, “digital cash” is quietly becoming a new non-sovereign funding base for the U.S. government. However, as discussed below, Tether’s opacity and its concentration in short-term Treasuries raise concerns about liquidity during periods of market stress.

Tether would be the 17th largest holder of U.S. Treasuries if Tether was a country

↑ U.S. Treasury Bills



Tether holdings as of October 2025, country holdings as of July 2025

Source: Tether CEO on X

Technical Architecture

Fiat-backed stablecoins such as Circle’s USDC, PayPal’s PYUSD (issued by Paxos), and tokens launched by U.S. financial groups are fully backed by U.S. dollars and T-bills and redeemable 1:1 for dollars. They typically run on public blockchains like Ethereum (ETH), Solana (SOL), and others, where they function as programmable settlement assets in dollars.

Private-sector financial “plumbing” is evolving rapidly. Payment and merchant platforms such as Stripe, PayPal, and Coinbase are integrating stablecoins into their checkout, treasury, and cross-border payment offerings. Today PayPal’s customers can already use PYUSD for transactions across PayPal and Venmo, with the stablecoin promoted for its low-cost global commerce advantages. Additionally, Coinbase has begun waiving fees on PYUSD transactions to help push stablecoin usage beyond pure trading.

Card networks like Visa and Mastercard have even begun piloting stablecoin settlements, reducing cut-off times and enabling near-real-time reconciliation for their bank members. Earlier this week, Mastercard with Solflare also launched its first self-custody debit card, allowing its customers to spend USDC directly from their connected Solflare wallets. Unlike traditional debit or crypto cards, this eliminates the need to pre-load funds.

Large custodians and banks have also begun launching new forms of “on-chain cash,” such as JPMorgan’s deposit tokens (JPM Coin / JPMD), BlackRock’s tokenized money-market fund (BUIDL), BNY Mellon’s tokenized money-market initiatives, as well as Citibank’s tokenization platforms.

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Global Perspectives

While U.S. platforms dominate domestic adoption, global players are also shaping the future of digital payments. For example, Ant International's breadth and diversity of payment ecosystems outside the U.S. enables 1.7 billion users across more than 35 payment methods, reflecting a reach far greater than most U.S. domiciled companies. The company, which is backed by Ant Group and 33% owned by Alibaba, also has partnerships with major global banks to pioneer blockchain-based solutions for tokenized deposits and cross-border payments. Its proprietary Whale platform, a blockchain-based treasury management system, also processes trillions in payments annually, with a growing share executed on-chain. These initiatives likely also position Ant International at the forefront of digital wallets, merchant solutions, and blockchain treasury interoperability with players in the U.S.

Unlike stablecoins, central bank digital currencies (CBDCs) are digital forms of fiat currency issued and regulated by central banks, intended to complement or replace cash for domestic and cross-border payments. For monetary authorities such as the Federal Reserve, this shift is both an opportunity and a constraint.

On the one hand, properly regulated, fully reserved stablecoins extend the reach of the dollar and U.S. Treasuries worldwide, reinforcing dollar hegemony just as questions of fiscal sustainability intensify. If stablecoins become large enough, they could form a parallel, dollar-denominated shadow deposit system. The Fed must then consider how these balances interact with bank reserves, money-market funds, and future central CBDC designs, without backstopping private issuers directly.

On the other hand, non-USD stablecoins are also growing rapidly. In 2025, over 110 countries are exploring CBDCs covering 98% of global GDP. Leading CBDCs include China's digital yuan (e-CNY), the Bahamas' Sand Dollar, as well as pilots by the European Central Bank and others.

In August 2023, the Monetary Authority of Singapore (MAS) finalized a regulatory framework for single-currency stablecoins pegged to the Singapore dollar or G10 currencies. The framework covers licensing for issuers, reserve asset requirements, redemption protocols, capital buffers, transparency standards, and supervisory powers over stablecoin arrangements. Singapore has positioned itself as a global hub for digital assets by combining strict safeguards with room for innovation. MAS is also planning a 2026 pilot to issue tokenized MAS bills settled in its central bank digital currency, with details to be released next year. In parallel, Singapore's DBS and Kinexys by J.P. Morgan are developing an interoperability framework to facilitate tokenized deposit transfers across different blockchain networks.

Risks & Challenges

Given the United States' control of the legal, monetary, and market infrastructure beneath that digital cash, widespread stablecoin adoption is more likely to entrench U.S. monetary leadership than to displace it. However, many potential risks are still open questions that need to be resolved by countries and corporations. One primary risk is the migration of monetary sovereignty from public balance sheets to corporate platforms. Dollar stablecoins issued by Circle, Tether, Paxos, and others are backed by short-term dollar assets but governed by private firms, not the Federal Reserve. The IMF has warned that widespread use of stablecoins could accelerate currency substitution, weaken domestic banking systems, and erode countries' respective seigniorage and tax bases. Instead of strengthening the official dollar system, global users could end up holding liabilities of Stripe, Coinbase, PayPal, Circle, Paxos, Visa, Mastercard, JPMorgan, BlackRock, BNY Mellon, and Citibank—assets branded as "dollars" but sitting outside traditional safety nets.

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The GENIUS Act is the first comprehensive U.S. stablecoin law. However, some argue it could accelerate growth before global safeguards are ready. In turn, the law could destabilize the global payment system by turbocharging dollar stablecoin issuance, turning stablecoins and their issuers into “quasi-banks” that drain deposits from traditional institutions. The more funds that migrate from bank accounts into tokens issued by fintech and crypto platforms, the more credit intermediation is pushed into capital markets and away from regulated banks. The IMF and FSOC have both warned that disintermediation could undermine the transmission of monetary policy. Technical errors and (currently) incompatible platforms also pose risks as the digital ecosystem evolves from its relatively nascent stage today.

Beyond regulatory and systemic concerns, additional vulnerabilities warrant attention. First, rapid progress in quantum computing introduces a long-term threat to blockchain security. Algorithms like Shor’s and Grover’s could expose private keys and weaken hash-based protections. This creates a “harvest now, decrypt later” risk, where adversaries store public keys today and exploit them once quantum capabilities mature. According to research by Chainalysis, we are only potentially five to 15 years away from this reality. Importantly, Post-Quantum Cryptography standards, led by The National Institute of Standards of Technology (NIST) are also in development with implementations underway to counter these cybersecurity related risks. The migrations needed to maintain interoperability and minimize disruption will require significant energy and complex coordination among issuers, custodians, and payment platforms.

Outside of cybersecurity threats, transparency on public blockchains remains a hurdle to mass adoption. This visibility can expose sensitive information about treasury operations, pricing strategies, and counterparties, creating strategic and compliance-related challenges. Many current privacy solutions often conflict with regulatory requirements as well, leaving a gap between programmability and confidentiality.

Taken together, these trends show that stablecoins are no longer just a niche innovation; they are becoming core to global financial infrastructure. The key takeaway is that stablecoins function as digital cash that is programmable and borderless. As stable coins increasingly sit at the intersection of crypto, payments, and sovereign debt markets they are likely to become core elements of the modern financial system in the years ahead.