

PERSPECTIVES • AUGUST 3, 2025

Macro Pulse for August 3: Hype or Hope? Four Takes on Stablecoins

Stablecoins are digital tokens designed to hold a steady value – typically pegged to the U.S. dollar – and they’re starting to move from the fringes of crypto into the heart of the financial system. The U.S. just passed its first major stablecoin law, the GENIUS Act, setting clear rules for how these assets are issued and regulated. It marks a turning point, bringing these instruments into the mainstream, and forces regulators, institutions, and investors to start taking stablecoins seriously.

By Global Market Strategy Team



Stablecoin basics

Stablecoins are digital assets designed to maintain a stable value, typically by pegging value to a traditional currency, like the U.S. dollar. Unlike Bitcoin and other crypto currencies, their goal isn’t price appreciation, it’s price stability.

Stablecoins were created to address the high price volatility of other cryptocurrencies, offering a more stable alternative for everyday transactions and financial applications. By pegging their value to a stable asset like a fiat currency or commodity, they aim to provide the benefits of blockchain technology (like speed and transparency) while maintaining a relatively stable value.

A comparison of fiat, crypto, and stablecoin currencies

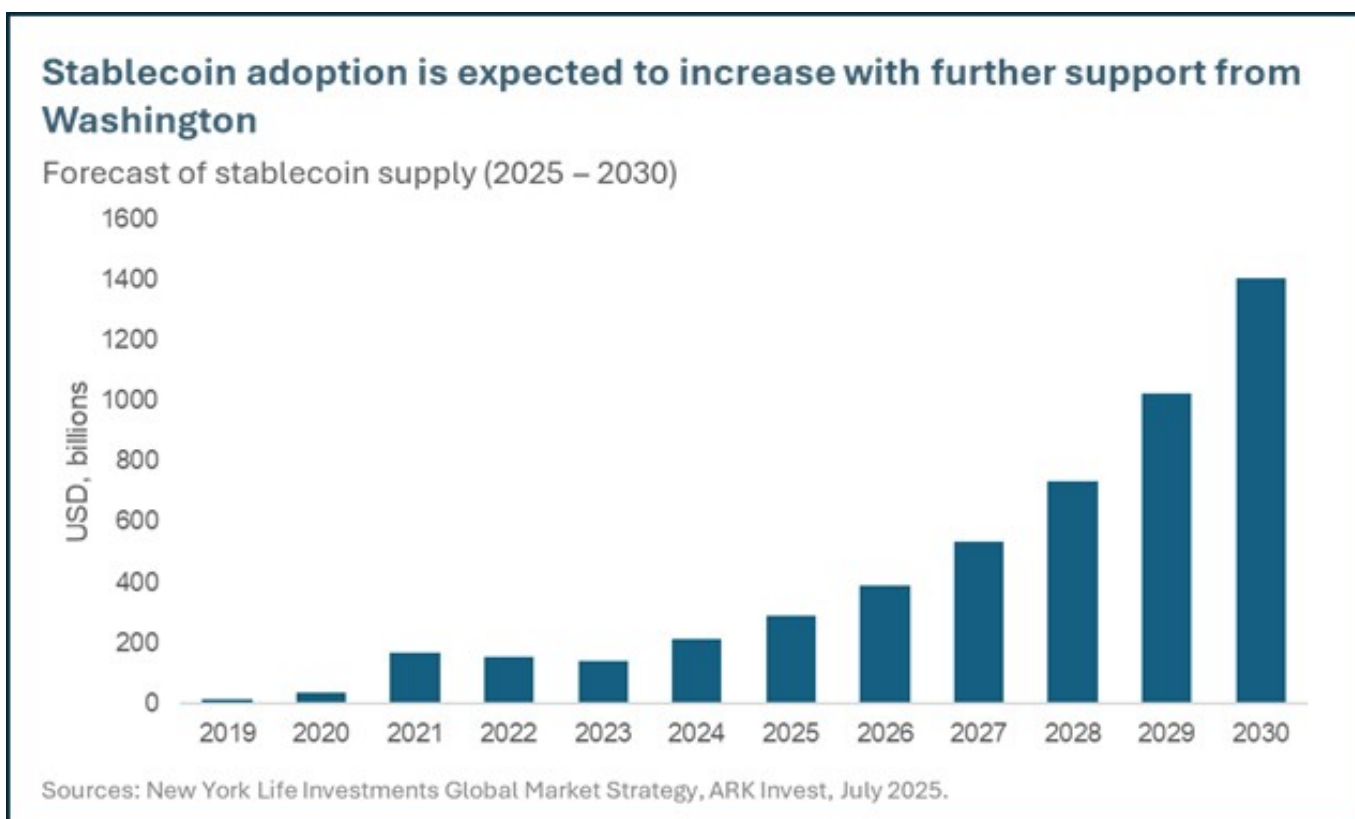
Category	Fiat (ex: USD)	Crypto (ex: BTC)	Stablecoin (ex: USDC)
Issued by	Central Bank (Fed)	Decentralized (no issuer)	Private company
Value stability	Stable	Highly volatile	Pegged to fiat (e.g., USD)
Legal status	Legal tender	Not legal tender	Not legal tender, but regulated
Monetary policy	Controlled by central bank	None (fixed supply)	Indirect (based on reserves)
Use case	Widely used: everyday payments, taxes	Investment/speculation	Payments, DeFi, transfers
Trust mechanism	Government guarantee	Network consensus	Audited reserves, issuer trust
Counterparty risk	Government default	None (but risk of hacks)	Issuer risk (redemptions, reserves)

Note: USD: U.S. dollar; BTC: Bitcoin; USDC: USD coin

The push from Washington

The Genius (Guiding and Establishing National Innovation for U.S. Stablecoins) Act marks the U.S.'s first real move to regulate stablecoins. The law allows both banks and approved nonbanks to issue stablecoins, but with guardrails – 1:1 backing, daily redemption, and oversight from the Fed for large issuers. States will play a role for smaller players, but the message is clear: stablecoins are beginning to be integrated into the broader financial system.

For investors, regulation reduces the legal uncertainty around stablecoins. Clear rules open the door for broader adoption across payments, trading, and decentralized finance – and bring stablecoins closer to integration with traditional finance. It also signals growing institutional support, which could accelerate use cases well beyond crypto markets.



Four views on stablecoins

Perspectives on stablecoins, and crypto more broadly, vary widely. The asset class is still new, often volatile, and for now, has limited use cases. But some see it as the foundation of a new financial system.

Below, we illustrate that range of views in the form of four unique voices.

The Skeptic: A shiny new wrapper for old financial risks

Stablecoins promise a stable, transactable digital asset – but we already have that. It's called money. The idea that a privately issued token backed by Treasuries is somehow more "stable" than holding actual Treasuries doesn't hold up. If anything, the rapid growth of stablecoins could introduce new financial stability risks in a market unwind. Their true purpose isn't to reinvent finance – it's to grease the wheels of crypto trading. That's fine, but let's not pretend this is about democratizing finance. It's about expanding the crypto industry, now with the help of traditional institutions and \$100 million in lobbying.

The Sovereign Warrior: Not sure we want private enterprise in charge of currency

Money has evolved from gold to fiat – could a fully digital system be next? Stablecoins, especially those issued by private companies, present a challenge to central banks and the Federal Reserve’s ability to steer monetary policy. While often framed as tools for innovation and inclusion, they shift monetary control from public to corporate hands – entities driven by profit, not stability. If left unchecked, this could erode trust in sovereign money and fragment the financial system, with private currencies competing against the dollar itself.

The Infrastructure Enthusiast: The GENIUS Act could increase demand for Treasuries

Stablecoins could quietly become a powerful force in U.S. debt markets. Under the GENIUS Act, issuers must hold 100% reserves in “safe assets” like short-term Treasuries – potentially driving steady demand at the front end of the curve. While the current market is modest, projected growth into the trillions by 2030 suggests stablecoins could become a significant source of new Treasury demand. But with that scale comes risk: without access to Fed facilities, a run or unwind could spill into Treasury markets and amplify volatility during stress.

The Crypto Bro: Stablecoins are the future of money

Stablecoins are the key to unlocking a better financial system. Right now, moving money is slow, expensive, and full of middlemen. Stablecoins change that. They let anyone, anywhere send and receive dollars instantly – no bank hours, no wire fees, no delays. More importantly, they’re the foundation for building a new kind of finance – one that runs on code instead of institutions. Imagine earning interest, getting a loan, or trading assets anytime, from your phone, without a bank in the middle. That’s where we’re headed. Stablecoins aren’t just a better payment tool – they’re the on-ramp to a financial system that works for everyone.

What do the kids think about stablecoins?

It is no surprise that the individuals most willing to embrace stablecoins are the ones who were born and raised in the digital age: Gen Z (and beyond). Introduced to technology such as smartphones and tablets at a young age, this generation has grown up integrating innovation into their daily lives. A 2025 survey found that 71% of Gen Z respondents expressed a willingness to use stablecoins for everyday purchases. That’s 11% higher than surveyed millennials and a staggering 40% higher than Gen X participants.

In short, as Gen Z and younger generations grow into greater economic power, their digital-first

mindset could accelerate mainstream adoption of stablecoins as a natural extension of how they already live, work, and pay.

Portfolio strategy

Are stablecoins investment assets? No. They're meant to hold a stable value, typically pegged 1:1 to a fiat currency like the U.S. dollar. That means there's no meaningful price appreciation – if you buy a stablecoin for \$1, it should still be worth \$1 tomorrow, next month, or next year.

Cryptocurrencies like Bitcoin, on the other hand, are decentralized assets with a fixed supply and no issuer. They're not backed by anything – they gain value from scarcity, demand, and belief in their role as an inflation hedge or alternative store of value.

We don't believe Bitcoin or any cryptocurrency should represent a large allocation in most portfolios. Given its volatility and risk profile, we view crypto as a speculative asset, best sized like a lottery ticket so making up no more than 1% of a portfolio.

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