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Morning Briefing

Geniuses Of Stablecoin

Executive Summary: Now that the GENIUS Act has established a framework for stablecoin issuance with safeguards for consumers, we expect stablecoin usage to proliferate. Because stablecoins are backed by liquid assets such as Treasury bills, their proliferation is likely to affect bond market dynamics. Because stablecoins can be used for transactions, they're likely to shrink the markets for other cryptocurrencies that can't be, like bitcoin. Because stablecoins are a new M1 component, they're likely to reduce the Fed's control over the money supply. How stablecoin's uptake will alter monetary policy, interest rates, and the federal debt is hard to predict. Stephen Miran theorizes that stablecoin proliferation will lower the neutral interest rate, requiring the Fed to ease accordingly. We aren't convinced. ... Also: Dr Ed reviews "House of Guinness" (+ + +).

YRI Weekly Webcast. Join Dr Ed's live webcast with Q&A on Mondays at 11 a.m., EST. You will receive an email with the link one hour before showtime. Replays of the weekly webcasts are available [here](#).

Crypto I: Dr Frankenstein & Stablecoin. Dr Victor Frankenstein must have been a genius. He sought to conquer death by constructing a living being from assembled body parts. He succeeded in doing so. Unfortunately, his efforts created a monster. Today, financial geniuses are creating cryptocurrencies powered by blockchain. One of their innovations is stablecoin. The question is whether their creations will make our financial lives better or produce monstrous financial nightmares.

The dollar version of stablecoin is a cryptocurrency that is pegged to the dollar on a one-to-one basis and is fully collateralized by US Treasury bills or other liquid assets such as bank deposits and government money market funds. Blockchain's technology automatically secures the ownership of the stablecoins that can be used to fund transactions with instantaneous clearing. No more checks. No more delays in clearing.

There are many known unknowns about this relatively new cryptocurrency, such as its hard-to-predict macroeconomic consequences:

(1) *Consequences for competing cryptocurrencies.* For starters, stablecoin's proliferation is

likely to reduce the upside potential of bitcoin and other cryptocurrencies. That's because they are not pegged to the dollar, so their value fluctuates. That makes them unsuitable for clearing transactions, unlike stablecoins.

(2) *Consequences for monetary policy.* Stablecoins are a new component of the money supply that should be added to M1, the monetary aggregate that includes currency and demand deposits. The proliferation of stablecoins likely would reduce the Fed's control over the money supply. To regain control, the Fed might be forced to raise the federal funds rate more than otherwise if it needs to slow the economy to contain inflation. How inflationary might stablecoins be? Might they increase financial instability? These are among the known unknowns.

(3) *Consequences for the federal debt.* Since stablecoins will probably be mostly backed by US Treasury bills, they will increase the demand for this form of the government's debt. That should reduce the likelihood of a US government debt crisis. But it would also enable the US government to continue to run large federal deficits and accumulate even more debt. Might that lead to a bigger government debt crisis eventually?

(4) *Consequences for the bond market.* Will bond yields rise or fall as stablecoin proliferates? They might fall if stablecoin expands rapidly, thus increasing the demand for Treasury bills while reducing the issuance of Treasury bonds. Bond yields might rise if stablecoin converts Treasury bills to the most liquid assets of all and drives up either consumer price inflation or asset price inflation, or both.

(5) *Consequences for the dollar.* Dollar-denominated stablecoin is likely to be very bullish for the foreign exchange value of the dollar. Financial intermediaries, businesses, and individuals are likely to use it to clear payments instantaneously around the world. It is already proliferating as a method for payment in emerging economies. Might this development turn out to be bearish for other major reserve currencies as well as for gold?

(6) *Consequences for the neutral interest rate.* Interest rates and monetary policy will also be affected by the proliferation of stablecoin. The Trump administration is pushing the notion that stablecoin will lower the neutral federal funds rate, which would put pressure on the Fed to lower the federal funds rate. But that's not obviously so. Stablecoin and other fintech innovations are likely to significantly boost productivity in the financial system. Other technological innovations (such as AI) are likely to do the same. Higher productivity growth should raise, not lower, the neutral interest rate.

Crypto II: The GENIUS Act for Dummies. The GENIUS Act, signed by President Donald Trump on July 18, 2025, represents a big step toward bringing clarity and credibility to the rapidly evolving world of digital finance. The federal framework it establishes for payment stablecoins is intended to safeguard consumers, reinforce the dollar's global dominance, and catalyze fintech innovation. The Act shows that Washington recognizes the significance of stablecoins—i.e., that they aren't just speculative instruments; they're the plumbing of tomorrow's payment systems.

This is a classic case of policy catching up with technology. The Act doesn't just regulate; it legitimizes. It enables banks and nonbanks alike to issue stablecoins under clear rules, backed by high-quality liquid assets. That's music to the ears of investors who crave stability in a volatile crypto landscape.

The Act's core requirement is elegant in its simplicity: US-based stablecoin issuers must back their tokens one-to-one with safe, liquid dollar assets such as bank deposits, Treasury bills, repos, reverse repos, and government money market funds. In other words, it establishes a role for stablecoins as "digital wrappers" for the same instruments that anchor the traditional financial system.

Fed staff estimates suggest that stablecoin uptake could hit \$1 trillion to \$3 trillion by 2030. For perspective, the high end of that estimate is nearly how much the Fed's pandemic-era quantitative easing added in Treasuries to its balance sheet—i.e., just over \$3 trillion. And with less than \$7 trillion in Treasury bills outstanding today, demand for Treasury bills to back stablecoins could become a major force in the Treasury market.

The Act prohibits stablecoin issuers from offering interest or yield on stablecoin holdings, aiming to prevent competition with traditional bank deposits. Some issuers are offering "rewards" as an alternative to paying interest on stablecoins. The regulators are likely to stop them from doing so. In any event, the issuers will have a tremendous incentive to popularize the use of stablecoins since they will pay nothing to stablecoin buyers while earning interest on buyers' payments.

In short, the GENIUS Act isn't just regulatory housekeeping; it's a blueprint for integrating crypto into the monetary base. It jumpstarts the evolution of stablecoins from speculative instruments into structural components of the dollar system.

As stablecoin evolves, it's triggering the evolution of another digital currency, bitcoin.

Crypto III: Cathie Wood on Crypto Darwinism. Cathie Wood, founder and CEO of ARK Invest, just trimmed her 2030 bitcoin price target from \$1.5 million to \$1.2 million. That's not a bearish turn—it's a recalibration. Think of it as a tectonic shift in the crypto ecosystem's division of labor.

In her recent [CNBC appearance](#), Wood acknowledged that stablecoin is stealing bitcoin's thunder in payments. Once envisioned as the universal medium of digital exchange, bitcoin is now ceding that role to its dollar-pegged cousins. "Stablecoins are usurping part of the role that we thought bitcoin would play," she said. Translation: The digital dollar is winning the remittance race.

But don't confuse evolution with obsolescence. Bitcoin isn't fading away; it's maturing into digital gold, according to Wood. She still sees it as a long-term store of value: The limited supply of 21 million bitcoins, underpinned by its decentralized architecture and algorithmic scarcity, will keep it in the digital exchange game. However, in our opinion, stablecoin significantly reduces the upside of bitcoin. The downside of Wood's revision to her bitcoin target might be much lower than she predicts.

The bottom line: Crypto is segmenting, with stablecoins becoming the transactional grease in the global financial engine and bitcoin hardening into a 100% speculative asset.

In other words, the crypto market is growing up. And like any maturing asset class, it's learning that specialization beats generalization.

Crypto IV: Miran's Monetary Wake-Up Call. Stephen Miran—chair of the Council of Economic Advisers, currently serving on the Federal Reserve Board as a Trump appointee—just dropped a monetary policy bombshell: Stablecoins are global macroeconomic movers—the new “global saving glut,” he said, echoing former Fed Chair Ben Bernanke's famous diagnosis of what ailed the global economy during the early 2000s. Miran said so in a November 7 [speech](#).

Miran's thesis is thought provoking, straightforward, but controversial: As stablecoins proliferate, they increase the supply of loanable funds, nudging the neutral interest rate (r^*) lower. That's Econ 101 jargon for “interest rates may need to fall just to keep the effects of monetary policy on the economy neutral.” He estimates that the impact of stablecoins could equate to as much as 40bps in the neutral federal funds rate.

It isn't clear to us how stablecoin increases the supply of loanable funds or how it lowers the

neutral interest rate. It certainly increases the demand for Treasury bills. That would lower the T-bill rate unless the Fed keeps that from happening because of the potentially adverse consequences of causing higher consumer price inflation and raising the risk of financial instability. Of course, these concerns wouldn't necessarily stop Miran for voting for a much lower federal funds rate if he stays at the Fed. But other voting members of the FOMC might outvote him, as they just did during the past two meetings of the committee.

But this isn't just about interest rates. Miran sees stablecoins as "dollar missionaries," in a sense—spreading the greenback gospel to the unbanked and underbanked across the globe. The appetite for Treasuries that stablecoin proliferation could unleash could reinforce the dollar's dominance while lowering Uncle Sam's borrowing costs. That's a fiscal win wrapped in a monetary puzzle.

Miran also gave a nod to the GENIUS Act, which he called a "regulatory milestone." By requiring one-to-one backing with safe assets, the Act essentially makes stablecoins digital money market funds—liquid, transparent, and dollar aligned.

Of course, Miran isn't blind to the risks. He flagged potential bank disintermediation, run dynamics, and challenges in asset sourcing. But his message was clear: Stablecoins are here to stay, and the Fed needs to adjust its playbook as a result.

The bottom line: Miran's speech was a wake-up call for central bankers. The crypto genie is out of the bottle, and it's reshaping the plumbing of global finance. Time to update the models.

Crypto V: Stablecoin Emerging Fast in Emerging Markets. Stablecoins are rapidly gaining traction in emerging economies, where they serve as practical tools for payments, remittances, and preserving value amid currency instability. In regions including Latin America, Africa, and Southeast Asia, citizens increasingly are using dollar-pegged stablecoins, such as USDT and USDC, to bypass volatile local currencies and unreliable banking systems. This trend reflects a broader shift toward decentralized financial access, especially in countries with high inflation or limited financial infrastructure.

The appeal of stablecoins lies in their ability to offer fast, low-cost, and borderless transactions. They provide digital access to the US dollar, which remains a trusted store of value in many developing nations. For example, in Nigeria and Kenya, stablecoins are used for cross-border trade and remittances, while in Argentina and Turkey, they help individuals hedge against inflation and currency devaluation. Their growing role in financial inclusion is

particularly notable, as they enable unbanked populations to participate in the global economy via mobile wallets and crypto platforms.

From a macroeconomic perspective, stablecoins are also influencing global capital flows. The demand for dollar-backed assets—especially US Treasuries—they trigger could reinforce the dollar's dominance. However, this rise in “cryptoization” poses challenges for central banks in emerging markets, potentially undermining monetary sovereignty and complicating exchange-rate management. As adoption accelerates, regulators are grappling with how to integrate stablecoins into existing financial frameworks without stifling innovation.

Movie. “House of Guinness” (+ + +) is a 2025 British-Irish historical drama. Set in 1860s Dublin, the series dramatizes the Guinness family's struggle to preserve their brewing empire amid political upheaval and moral crusades. The storytelling is rich in period detail. The cast is excellent, especially James Norton's portrayal of Sean Rafferty, the family's fixer. In sum, it's a compelling docudrama best consumed with a pint or two of Guinness. (See our movie reviews [archive](#).)

Calendars

US: Mon: WASDE Report. **Tues:** NFIB Business Optimism Index 98.3; Barr. (Source: FX Street)

Global: Mon: Eurozone Sentix Confidence -3.9. **Tues:** Eurozone & Germany ZEW Economic Sentiment 23.5,41.2; UK Average Hourly Earnings Including & Excluding Bonus 5.0%,4.6%; UK Unemployment Rate 4.9%; Lagarde; Dhingra; Jones. (Source: FX Street)

Strategy Indicators

Global Stock Markets (US\$ Performance) ([link](#)): The US MSCI index dropped 1.7% during the November 7 week to 2.4% below its record high on October 28. The AC World ex-US outperformed, albeit with a 1.1% decline for the week to 2.1% below its record high on October 29. The AC World ex-US has been hitting new record highs since May 14—the first time it's had such a long streak of successive record highs since June 15, 2021. EM Latin America was the best performing region last week, with a gain of 2.4%, followed by

EAFE (-0.8%), Europe (-0.9), and the AC World ex-US. EM Asia was the worst regional performer, with a decline of 1.8%, followed by EM (-1.4), EMU (-1.3), and EMEA (-1.2). The Hong Kong MSCI index, with a gain of 3.5%, performed the best among country indexes, ahead of Brazil (3.3), Mexico (1.3), and China (0.3). The Korea MSCI index was the worst performer w/w, with a decline of 6.1%, followed by Taiwan (-3.4), Sweden (-2.5), Australia (-2.0), and France (-1.8). In terms of ytd performance rankings, the 14.5% gain for the US MSCI index ranks as the third worst country performer and trails the 24.5% gain for the AC World ex-US. Among the regional indexes outperforming the AC World ex-US ytd, EM Latin America leads with a gain of 42.3%, followed by EMU (29.6), EM (28.5), EM Asia (28.3), and the AC World ex-US. EMEA is the worst ytd performer, albeit with a gain of 22.4%, followed by EAFE (22.7), and Europe (24.3). Korea is the best ytd performer, with a gain of 78.3%, followed by Spain (60.5), South Africa (51.8), Mexico (44.4), and Brazil (39.3). The worst performing countries ytd: India (2.1), Australia (9.3), the US (14.5), Switzerland (19.8), and France (20.2).

US Stock Indexes ([link](#)): Seven of the 11 S&P 500 sectors rose during the week ended November 7, but only two were behind the S&P 500's 1.6% decline. That compares to four S&P 500 sectors rising a week earlier, when only two were ahead of the S&P 500's 0.7% gain. The outperformers last week: Energy (1.5%), Health Care (1.3), Real Estate (1.0), Consumer Staples (0.8), Financials (0.8), Utilities (0.7), Materials (0.4), Industrials (-1.1), and Consumer Discretionary (-1.5). The underperformers last week: Information Technology (-4.2) and Communication Services (-1.7). The S&P 500 is now up 14.4% ytd, with all 11 sectors positive ytd and four are ahead of the index. During the June 20 week, Consumer Discretionary and Health Care were trailing so far behind ytd that they were the only sectors trailing the index. Information Technology wears the crown as the best ytd performer with a gain of 23.8%, followed by Communication Services (23.7), Utilities (18.2) and Industrials (16.3). These seven sectors are lagging the S&P 500 so far in 2025: Consumer Staples (0.2), Real Estate (1.6), Materials (2.6), Energy (4.6), Consumer Discretionary (5.5), Health Care (6.0), and Financials (9.0).

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US Economic Indicators

Consumer Sentiment Index ([link](#)): Preliminary estimates for November show consumer sentiment sank to its lowest level since June 2022 (50.2) as inflation hovered around its highest level in 40 years! Consumer sentiment sank from 61.8 in July to a near record low of 50.3 in mid-November; sentiment was at 73.0 a year ago. Current conditions fell for the fourth successive month, from 68.0 in July to 52.3—the lowest in its history going back to 1951—while the expectations component fell from 58.1 in June to 49.0 this month. “With the federal government shutdown dragging on for over a month, consumers are now expressing worries about potential negative consequences for the economy. This month’s decline in sentiment was widespread throughout the population, seen across age, income, and political affiliation,” noted Joanne Hsu, survey director. Turning to inflation, year-ahead inflation expectations edged up from 4.6% to 4.7% this month, remaining “well below readings in May in the wake of the initial announcements of major tariff changes,” according to the report. Long-run inflation expectations eased from 3.9% last month to 3.6% this month.

Global Economic Indicators

Eurozone Retail Sales ([link](#)): Eurozone retail sales have been fluctuating in a relative flat trend since April, though has shown weakness in recent months. Headline sales edged down 0.1% in both September and August, following a flat reading in July. Spending on automotive fuel contracted in four of the last five months, by 1.0% in September and 2.9% over the period, while spending on food, drinks, and tobacco was flat in September, following a 0.4% gain and a 0.8% loss the prior two months. Non-food products ex fuel dipped 0.7% during the two months ending September, after a 1.3% gain during the two months through July. Versus a year ago, total retail sales rose 1.0%, led by gains in non-food products ex fuel (1.4% y/y) and food, drinks, and tobacco (1.0%), while automotive fuel

(-0.7) fell versus a year ago. On a month-over-month basis, sales among the four largest economies were mixed in September, increasing in both Spain (0.4) and Germany (0.2), while falling in Italy (-0.6) and France (-0.1). On a year-over-year basis, Spain (4.3% y/y) posted the largest gain, followed by France (2.7), while Germany's reading (0.2) was little changed. Meanwhile, sales in Italy (-2.3) contracted.

Germany Industrial Production ([link](#)): German industrial production rose less than expected in September. Production climbed 1.3%, less than half the consensus estimate of 3.0%, following August's 3.7% drop, while output was 1.0% below a year ago. The rebound in production during September was led by a 12.3% jump in auto production, following a 16.7% slump in August—due to plant closures. Also contributing to September's rise was a gain in the production of computer, electronic, and optical products (+5.1), while machinery & equipment (-1.1) was a drag on output. Excluding energy and construction, production rebounded 1.9% and was 5.1% below a year ago. By sector, the increase was led by capital goods, which rose 3.8%, while both consumer and intermediate goods production both edged up 0.2%. Outside industry, energy output was up 1.3%, while construction dropped 0.9%. Versus a year ago, production ex energy and construction was down 1.2%.

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