

Stablecoins: The Quiet Revolution in Digital Money

Hani Redha, CAIA, Global Multi-Asset Portfolio Manager

2025 will go down as the year that blockchain went mainstream, with stablecoins as their first large-scale use case. Stablecoins are emerging as the bridge between traditional finance (“TradFi”) and decentralized finance (“DeFi”), running on distributed ledgers utilizing blockchain technology. Their scalability and efficiency suggest that blockchain’s long-promised potential could finally be realized in real-world financial applications. More broadly, we are witnessing the rapid development of an entirely new asset class in the form of digital assets, with tremendous scope for institutional adoption. In other words, we are still in the very early stages of this process.

Stablecoins are cryptocurrencies designed to maintain stable value, typically pegged to a fiat currency like the US dollar and backed by collateral such as US Treasury bills. This design differentiates them from speculative crypto assets and turns blockchain into an infrastructure for real-time liquidity. Compared with existing payment systems, stablecoins enable faster, more transparent, and more efficient transactions that could reshape global money flows. Think: money moving at the speed of the internet, 24/7, at minimal cost.

So why is 2025 pivotal? The answer lies in regulation. In the US, the GENIUS Act, passed in July, marked a major step forward, bringing stablecoins under formal oversight and legitimizing institutional participation. Additional bills due later this year will extend this framework, including the Clarity Act, which promises to clarify the status of crypto tokens and determine which regulator will oversee them (e.g., the Securities and Exchange Commission versus the Commodity Futures Trading Commission). Momentum is building globally, with Hong Kong introducing its own stablecoin regulation in August, underscoring the trend toward a consistent global approach that could unlock broader adoption.

With regulatory clarity, the focus turns to use cases. Stablecoins improve cross-border transfers and remittances, offering real-time settlement that cuts costs and enhances access for smaller enterprises, which tend to have higher transaction costs. Emerging markets stand to benefit most, as they can use stablecoins to store value amid currency volatility and improve trade and remittances. Programming capability provides an additional edge. Stablecoins can automate payments once conditions are met, reducing processing time and administrative burden. In financial markets, tokenized assets allow dynamic collateral management, freeing trapped liquidity and enabling faster mobilization of capital across borders. Together, these features represent a step-change in how value and liquidity move through the financial system.

With strong real-world use cases, momentum has already built impressive scale. Data from Artemis Analytics, based on on-chain analysis, estimates an adjusted stablecoin transaction volume of US\$7.6 trillion in 2023 and US\$18.4 trillion in 2024 (+140% year over year). Analysts project the market volumes could reach US\$100 trillion within five years, drawing liquidity from banknotes, deposits, and the broader crypto ecosystem alike.

So what does this mean for the global financial system, and for the US dollar in particular? Rather than challenging the dominance of the US dollar, stablecoins are likely to reinforce it. Nearly all existing issuance is denominated in dollars, implying that the spread of stablecoins effectively extends the dollar’s influence into global

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About This Report

PineBridge believes that not only do differences of opinion make markets, but they also foreshadow substantial moves ahead as these differences are resolved. Once a month, investment leaders from our global multi-asset, equities, and fixed income teams meet to share their diverse viewpoints. This report reflects those discussions and debates by providing insight on the topic of the month along with snapshots of our asset class views and convictions across the firm.

digital payments. These tokens hold around US\$160 billion in US Treasuries, creating a new private-sector demand base for dollar assets. The GENIUS Act also marks a strategic choice: rather than issuing a central bank digital currency, the US is enabling private innovation under regulatory guardrails, integrating the dollar deeper into the digital economy.

Overall, we see stablecoins as a real growth opportunity, poised to reshape how money moves, value is stored, and liquidity flows. With regulation advancing and institutional adoption accelerating, stablecoins are evolving from a crypto-finance bridge into a catalyst for a more efficient and global financial system. Blockchain technology presents attractive growth opportunities in various instruments, which we will be highlighting to clients in the weeks and months ahead.

Conviction Score (CS) and Investment Views

The Conviction Scores shown below reflect the investment team's views on how portfolios should be positioned for the next six to nine months. 1=bullish, 5=bearish, and the change from the prior month is indicated in parentheses.

Global Macro

Anders Faergemann
Senior Sovereign Portfolio
Manager, Emerging Markets
Fixed Income

CS 3.25 (unchanged)

With a US government shutdown underway, data releases have been delayed and the quality of data for some indicators will be affected in the aftermath. Federal Reserve Chair Powell had signaled further rate cuts ahead of the October meeting despite limited new data, highlighting that "downside risks to employment have risen." Zooming out of the US, global purchasing managers' indices (PMIs) still paint a robust backdrop to growth, but September saw a moderation as the tariff frontloading effects started to fade; the outlook into 2026 is still robust with upward forecast revisions, although downside risks remain elevated. The US shutdown thus far shows no signs of a resolution as no significant political movement to reopen the government has emerged. Public pressure to resolve the dispute will increase as air traffic control absences likely will cause travel delays. Trump signed an order to ensure active military personnel get paid during the shutdown.

While the shutdown has resulted in limited visibility on the labor market, September ADP private jobs declined by 32,000, down further from the decline of 3,000 jobs in August. The most recent initial claims data was more positive, falling to 218,000, while new job postings on Indeed continue to move sideways. State-level jobless claims data are still available, with aggregated data pointing to a moderate uptick. The Trump administration has been blocked by a judge from pursuing layoffs during the shutdown, with the government set to appeal the decision. US PMIs remain largely robust, with S&P PMIs comfortably above 50 while the ISM's have been more subdued. Third-quarter GDP growth is expected to come in around 3%, following the strong upward revision to second-quarter data to a seasonally adjusted 3.8%. Alternative data (i.e., credit card spending and the Bloomberg Consumer Spend Index) suggest some softening in consumption in the September data.

With tariff increases largely behind us and the impact of immigration cuts already under way, 2026 growth looks set to be marginally stronger, though not at the exceptional levels we have seen in recent years, as some supportive factors are weakening.

Rates

Gunter Seeger
Portfolio Manager, Developed
Markets Investment Grade

CS 4.00 (unchanged)

We maintain our bearish score. With the US 10-year note at the low end of our range, we expect the fourth quarter to be more volatile and higher in yield. We also expect the Fed to cut one more time this year, but the government shutdown complicates its plans. How can a "data dependent" Fed cut rates in the absence of any data? Yet the market believes it will. Recently, Fed fund futures were predicting a 98.9% chance of a 25-basis-point (bp) cut. President Trump's on-again/off-again posture vis-à-vis additional tariffs on China should be enough to make the Fed question a 25-bp cut in the middle of this historic uncertainty. Meanwhile, gold, home prices, bitcoin, copper, and all the so-called indicators of inflation are hovering at or near all-time highs, even after gold's late-October tumble. Except for oil and a slowdown in labor, it seems everything is pointing toward more inflation.

Credit

Steven Oh, CFA

Global Head of Credit
and Fixed Income

CS 3.25 (-0.25)

Credit markets pulled back a touch on policy concerns relating to a re-escalation of trade tensions with China and worries about hidden dangers in credit exposure based on what appear to be idiosyncratic problems. The impact of the US government shutdown has largely been ignored to date, but if it lingers for a few more weeks, the economic outlook could change. On the positive side, the Fed's October cut and potential for another in December result in monetary stimulus in addition to pausing its balance sheet reduction. Credit spreads have pulled back from recent tights, with high yield (HY) widening by 25 bps and approaching +300 levels again while investment grade (IG) has been more resilient, widening by just +5 bps. Below-IG valuations are getting closer to the lower end of fair-value range, but the yield curve benefit that has softened any spread widening is likely to have played out. In IG, the primary driver of strong year-to-date (YTD) returns has been Treasury yield declines; we do not anticipate any further benefit absent a material negative shift in the economic outlook.

Currency (USD Perspective)

Anders Faergemann

Senior Sovereign Portfolio
Manager, Emerging Markets
Fixed Income

CS 2.75 (-0.25)

We recently recalibrated our Global Macro scenarios without making major changes to our US Treasury forecasts, introducing a new base for the next 12 months of "Stabilization" across growth, inflation, and Fed policy rates. In such an environment, we expect the US dollar to bottom in the fourth quarter in parallel with a bottoming in US economic growth. We expect the dollar to bounce back into stronger territory in the first half of 2026 on expectations that the fiscal impulse will reinvigorate consumer spending and consolidate US growth at the higher end of market expectations. The US government shutdown, a soft labor market, and lack of official data releases have helped affirm market expectations of another 25-bp rate cut by the Fed at the end of October, weighing on short-end US Treasuries and the US dollar. However, looking ahead to H1 2026, as we become more confident in a moderate pickup in US economic growth on the back of easier fiscal and monetary policies, we move our US dollar stance to positive, which is contrary to market consensus.

The Fed shift toward a shortfalls approach rather than a traditional Taylor rule framework, emphasizing deviations from maximum employment rather than inflation, has created an asymmetric risk profile favoring rate cuts in the short term. Uncertainty around the Fed's actual policy path – particularly in contrast with what it should ideally pursue – combined with a sharp divergence in monetary policy expectations between the Fed and the European Central Bank, may further delay a full normalization of foreign exchange (FX) flows. In contrast, we are seeing less risk of broader asset rotation away from the US, as US equities are generally outperforming global equities. Likewise, fears of rising FX hedging ratios appear exaggerated. While short-term flows are showing an increase in FX hedging, they are a drop in the ocean compared with the stock of US dollars. Broader reserves remain firmly in favor of the US dollar.

Emerging Markets Fixed Income

Joseph Cuthbertson

Sovereign Analyst, Global
Emerging Markets Fixed Income

USD EM (Sovereign and Corp.)
CS 3.00 (unchanged)

Local Markets (Sovereign)
CS 3.00 (unchanged)

Emerging market (EM) spreads remain supported by expectations of looser financial conditions, both domestically and externally, aligning with the "Stabilization" macroeconomic scenario. Recent spread widening prompted by renewed trade tensions between the US and China was partially offset by more constructive subsequent headlines. The mood at the recent IMF meetings was buoyant, with market participants believing the macro backdrop will remain supportive for EM and that improved fundamentals and deeper local markets across several countries have led to newfound "resilience." Improved sentiment and the supportive market conditions have led to market access for almost all sovereigns under our coverage, creating a positive feedback loop for the market. The domestic macro environment is favorable for most EMs, leading us to expect improved sovereign credit metrics going into 2026. Robust EM economic data and growing external buffers support policy easing in most countries. We expect credit rating agencies to upgrade several rising stars to IG status (including Serbia and Morocco) and lift ratings out of the CCC bucket for Pakistan, Ghana, and Egypt.

With a strong number of net upgrades in 2025, fewer upgrades are likely in 2026, even as fundamentals remain positive, as rating outlooks have now shifted more toward neutral. We're about to enter the next corporate reporting period, which we expect to be neutral within the context of a strong overall fundamental picture. While we have seen some idiosyncratic issues in Brazil, we continue to view these as credit-specific and not representative of broad fundamentals for Brazilian corporates. Technicals for the asset class remain supportive, with inflows coming into the market. Commodity markets are expected to stay in a favorable range for EM countries, while recently announced tariff levels remain manageable. External balances for many EMs have benefited from elevated gold and metals prices, with the trend largely expected to remain intact.

Multi-Asset

Peter Hu
Portfolio Manager,
Global Multi-Asset

CS 2.75 (-0.25)

While GDP, income, and consumption have slowed this year, they nonetheless remain resilient. Job growth, on the other hand, has slowed more significantly. With the Fed's focus leaning toward employment, we expect rate cuts to continue until employment shows green shoots. The AI investment boom is adding to the US economy's resilience while likely paving the way for faster secular growth over time, along with eventual productivity-led disinflation. Such investment is based on the strongest US firms investing heavily to dominate the future. They didn't flinch in April, when uncertainty spiked as the economy slowed, and we don't think they will pull back going forward either, as their earnings revisions remain among the strongest in the global equity markets. Even though employment has been a lagging component of the hard data, the soft data (PMIs, economic surprise indices) that typically lead hard data by up to six months appear to have bottomed in May/June. We believe that slowdown and inflation risks will not be behind us for a few more months, but their threat continues to recede; a cyclical reacceleration and secular growth are drawing nearer. Despite the lack of a market correction during this year's slowing growth and ramping inflation, we are edging our score from a neutral 3.0 last month to a more constructive 2.75.

Global Equity

Michael Mark
Client Portfolio Manager,
Equities

CS 3.00 (unchanged)

Global consumer spending remains stable. However, signs of strain are emerging among lower-income US households. In financials, banks are well positioned in the near term, supported by strong net interest margins, potential regulatory relief, and healthy credit quality. This outlook holds as long as unemployment remains low. JP Morgan sees consumer and small-business resilience, strong spending, and delinquency rates trending below expectations despite some potential softening in the labor market. In the healthcare segment, we've seen some easing in policy pressures around drug pricing and tariffs. Biotech, tools, and pharma are benefiting from reshoring trends, lower interest rates, strong clinical data, and rising M&A activity. Among industrials, short-cycle demand remains steady, while longer-cycle projects face headwinds from tariff uncertainty. Hyperscaler capex continues to be a key growth driver. In the tech segment, AI infrastructure demand remains robust, with recent OpenAI-related deals adding 26 gigawatts of datacenter capacity, fueling sector momentum.

Global Emerging Markets Equity

Taras Shumelda
Portfolio Manager,
Global Equities

CS 3.00 (unchanged)

We are leaving our score unchanged at a neutral 3.00. While macro and geopolitical factors remain prominent in the news flow, the beginning of quarterly results allows investors to refocus on bottom-up fundamentals.

In China, trade tensions have resurfaced. Golden Week sales, at +3.3%, were off from +4.5% in 2024. The government unveiled policy support for infrastructure spending. In industrials, media reports indicate that high international demand for energy storage systems has led to a shortage of ESS cells. With strong commodity prices, especially for gold, there has been lots of corporate activity in Indonesian and Hong Kong commodity names. In India, banks have reported quarter-over-quarter improvement in loan-to-deposit ratios. Fast-moving consumer goods companies showed tepid demand growth in their trading updates, impacted by the disruptions due to the change in the goods and services tax rate, while value retailers have reported strong same-store sales numbers. Benign inflation coupled with the lowering of the goods and services tax should provide a boost to domestic consumption.

In Latin America, macro and materials seem to be in the driver's seat. We've seen a strong rally in gold, copper, and silver prices, which has lifted regional miners, which are up 25%-200% YTD. Despite the large earnings upgrades, some multiples are very stretched. In EMEA, Zelensky's visit to the White House went badly, with Trump essentially advocating the Russian position and agreeing to a second summit with Putin, which later was canceled.

Overall, this month was a continuation of the prior month's themes, where geopolitics and top-down factors played a disproportionately large role. Nevertheless, as the earnings reporting season begins, company-specific developments may regain their weight as stock drivers.

Quantitative Research

Yang Qian

Fixed Income

Quantitative Strategist

Effects from curve flattening (-8 bps) have been largely offset by credit spread tightening (-5 bps). Global credit forecasts remain negative, with sharp deterioration in developed markets (DM) and a slight dip in EM. In DM industries our model favors technology, banking, and industrials, and dislikes utilities and basic industry, transportations, and finance companies. Among EM industries, our model likes financials; technology, media and telecommunications; and metals and mining. It dislikes real estate, industrials, and diversified companies. Our global rates model forecasts higher yields for Switzerland, Japan, and Denmark and lower yields for the rest of the world. Our model forecasts a steeper curve in Switzerland, the US, and New Zealand and a flatter curve for Japan and most European countries. The rates view expressed in our G10 model portfolio is overweight global duration. It is overweight France, Italy, Spain, New Zealand, Canada, and the UK; it is underweight the US, Japan, and Germany. Along the curve, it is overweight the six-month, 10-year, and 20-year and underweight the two-year, five-year, Japanese Government Bond seven-year, and the 30-year.

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