

Weekly Insight | ECONOMY | The structure and meaning of the evolving role of stablecoins in reshaping the US dollar and global financial system: Interpreting this week's economic insights

Why is the United States continuously pumping money into the market? The answer may lie not just in traditional monetary policy or stimulus packages, but in a more fundamental transformation — the very form of money itself is changing. This week's economic insight explores how stablecoins are emerging as a pivotal force in creating a new financial order, potentially redefining the role of the US dollar on the global stage.

Historically, cash issued by central banks and bank deposits formed the backbone of the financial system. Today, blockchain-based stablecoins are rapidly becoming a new financial infrastructure. This shift goes beyond the growth of cryptocurrency markets; it likely represents a strategic move by the United States to maintain dollar dominance worldwide.

Key takeaway in one sentence:

The US is leveraging stablecoins to attract global capital into its Treasury market, building a new digital dollar ecosystem.

Why does the US keep injecting liquidity?

During major crises such as financial downturns, pandemics, and economic slowdowns, the US government and Federal Reserve have consistently supplied vast liquidity. These interventions aim to stabilize the Treasury market and stimulate the economy by encouraging consumption and investment. However, this cycle also leads to a mounting debt burden, requiring innovative mechanisms to absorb increasing capital flows — stablecoins may be one such solution.

Why are stablecoins gaining attention?

Stablecoins are digital assets typically backed by the US dollar or US Treasury securities. Leading examples include USDT and USDC. Their key advantages include:

- 24/7 trading availability

- Borderless transferability
- Low transaction fees
- Rapid settlement
- Maintaining dollar value stability

Compared to traditional banking, stablecoins offer far greater efficiency, driving their rapid adoption worldwide. In countries with limited financial infrastructure, stablecoins often function as a de facto digital dollar.

The digitization of US Treasuries

Financial markets have recently seen the tokenization of US Treasury securities on blockchain platforms. This innovation democratizes access, allowing individual investors to trade US debt via digital assets—something previously reserved for large institutions. Such digital transformation is advantageous for the US as it broadens investor participation and boosts demand for its debt instruments.

Risks investors should consider

Despite their promise, stablecoins and the emerging digital dollar ecosystem pose several risks:

- Trust and transparency: The collateral backing stablecoins must be clearly verifiable. Lack of transparency or issuer credibility issues could trigger financial instability.
- Leverage and bubbles: Increased liquidity can inflate asset prices but also create dangerous bubbles.
- Monetary sovereignty: Heavy reliance on US dollar-based stablecoins may weaken the monetary influence of other nations.

For individual investors, it is crucial to monitor stablecoin reserve disclosures, shifts in the US Treasury market, and evolving digital currency policies worldwide, including those in South Korea and other major economies.

A forward-looking perspective

This transformation is not merely a cryptocurrency fad but a fundamental evolution of the financial system, akin to the impact of the internet's arrival decades ago. While challenges and bubbles are inevitable, the ways money moves and assets trade are irrevocably changing. Understanding these structural shifts is essential for investors seeking future opportunities beyond simple price speculation.

Summary of this week's core conclusions

- The US is building a new dollar ecosystem through stablecoin adoption.
- US Treasury markets are undergoing digitization via tokenization.
- Stablecoins present both investment opportunities and new financial risks.
- Investors must grasp the underlying collateral and systemic changes.
- The future financial landscape will likely blend digital currencies with traditional finance.

For a comprehensive analysis and detailed insights into how stablecoins are reshaping global finance and the US dollar's role, please download the full PDF report below.