

MONTHLY NEWSLETTER

BOJ's Tapering Marks a New Era for Japan's Debt Market

Discover The Unknown Depth of
Financial Markets

02
Monday
June
2025

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THIS MONTH
ANALYTICS REVIEW

EXPLORING THE
FINANCIAL
DEVELOPMENTS

DELVE DEEPLY
INTO THE WORLD
OF WEB3

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Insights From Past Weeks Analytics Review

• USD vs. Major Currencies •

USD vs. Major Currencies											
Name	Symbol	Rate	Change	Change %	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Australian Dollar	USD:AUD	1.55567	0.0034	0.22%	1.48%	-0.21%	-3.71%	3.17%	11.95%	1.54883 — 1.56067	1.44074 — 1.69085
British Pound	USD:GBP	0.74346	0.0022	0.30%	0.97%	-1.05%	-6.93%	-5.34%	-5.95%	0.74013 — 0.74359	0.73571 — 0.82233
Canadian Dollar	USD:CAD	1.37391	-0.007	-0.51%	0.28%	-0.41%	-4.44%	0.47%	8.54%	1.37141 — 1.38302	1.34208 — 1.47935
Chinese Renminbi ("Yuan")	USD:CNY	7.2052	0.017	0.24%	0.50%	-0.99%	-1.80%	-0.68%	7.99%	7.18112 — 7.20989	6.97349 — 7.42774
Euro	USD:EUR	0.8814	0.0019	0.21%	0.57%	-0.30%	-8.71%	-4.52%	-5.01%	0.87796 — 0.88396	0.86599 — 0.97934
Japanese Yen	USD:JPY	144.0685	-0.13	-0.09%	1.13%	0.27%	-8.44%	-8.12%	12.95%	143.4385 — 144.447	140.049 — 161.679
Swiss Franc	USD:CHF	0.82271	0.00005	0.01%	0.31%	-0.50%	-9.33%	-8.98%	-14.14%	0.8199 — 0.82492	0.80693 — 0.9189

- The US Dollar showed volatility over the past week, rising briefly above 100 on the DXY index before settling in the mid-99s, capping a fourth straight monthly decline since February's highs. Trade policy developments and legal battles over tariffs, including a temporary reinstatement of broad emergency powers, contributed to market uncertainty. Long-term bond yields fell while short-term rates remained steady, and new trade agreements with the UK and China offered only brief optimism. Despite hopes for easing tensions, the economic impact of protectionist measures remains a concern, potentially harming consumer spending and growth. The Federal Reserve held rates steady but acknowledged heightened risks, with Chair Powell stressing a cautious, data-dependent approach. Internal divisions among Fed officials reveal differing views on future rate moves, balancing inflation control against trade-related economic threats. Overall, unresolved trade issues and shifting policy goals have placed US monetary policy in a delicate and uncertain position.



Energy									
Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Oil	USO	-0.06%	-1.24%	5.65%	-11.12%	-11.09%	-21.43%	65.96 —●— 67.25	60.67 —●— 84.58
Brent Oil	BNO	-0.77%	-2.21%	4.26%	-10.08%	-12.12%	-20.25%	26.59 —●— 27.01	24.72 —●— 33.39
Natural Gas	UNG	-1.75%	-6.65%	-6.15%	-6.54%	-10.54%	-86.72%	15.63 —●— 16.05	12.35 —●— 24.33
Gasoline	UGA	-0.99%	-2.87%	2.16%	-7.68%	-9.37%	-20.21%	57.63 —●— 58.30	52.80 —●— 70.72

- On Friday, U.S. crude futures fell as traders expected OPEC+ to declare a production increase for July that would exceed expectations, weakening price support in the context of a global supply surplus. Brent crude closed at \ \$63.90 per barrel, a slight decrease, while West Texas Intermediate also fell, resulting in weekly losses exceeding 1%. JPMorgan and other analysts anticipate that prices will remain within a certain range before slowly declining to the high \ \$50s by the end of the year. As President Trump condemned China regarding tariffs, trade tensions escalated. This coincided with a court ruling that temporarily reinstated broad U.S. tariffs, further contributing to market uncertainty. Meanwhile, energy activity in the U.S. showed signs of weakening, as Baker Hughes noted a fifth consecutive weekly decline in active drilling rigs, indicating industry caution despite the current price levels.

Metals

Metals

Precious Metals

Name	Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
Palladium	PALL	-0.46%	-2.65%	3.23%	6.30%	1.46%	-53.76%	87.58 —●— 88.85	77.52 —●— 113.92
Gold	GLD	-0.66%	-1.99%	-0.06%	25.39%	40.19%	75.64%	301.50 —●— 304.02	211.54 —●— 317.63
Platinum	PPLT	-2.04%	-3.39%	9.33%	16.50%	2.78%	9.14%	96.19 —●— 97.62	82.35 —●— 100.32
Silver	SLV	-0.99%	-1.48%	1.35%	13.94%	5.56%	47.35%	29.78 —●— 30.19	24.25 —●— 31.80

- Gold struggled to maintain its early momentum during the week of May 19 as mixed US macroeconomic data and shifting trade headlines created volatility. The postponement of tariffs on European imports briefly lifted sentiment and weakened gold’s safe-haven appeal, though limited trading over the Memorial Day holiday softened the impact. Strong consumer confidence data mid-week boosted the US Dollar, pressuring gold prices, while Fed minutes and a court ruling blocking tariffs initially strengthened the dollar and pushed gold lower. Later, the situation reversed as a federal appeals court temporarily reinstated the tariffs and jobless claims came in worse than expected, weakening the USD and allowing gold to rebound slightly. Despite this, gold remained below \$3,300, with markets showing caution ahead of upcoming employment data. Looking forward, key indicators like PMI and the Nonfarm Payrolls report will heavily influence gold’s path, as strong data could support the dollar, while weak numbers might revive expectations for Fed rate cuts and boost gold. Uncertainty around Fed policy signals and trade tensions continues to weigh on market sentiment and gold’s direction.



• Analytica

• **The AI Memory Boom: How Advanced AI is Learning, Adapting, and Raising New Concerns**

- AI systems are rapidly gaining the ability to remember and learn from past interactions and data, a significant leap powered by improved model reasoning and lower costs for data retrieval. This technological shift is enabling proactive AI in areas from personal assistance to healthcare, but it also opens up complex questions about privacy and security.
- Artificial intelligence is shifting from a forgetful tool—like the character with amnesia in *50 First Dates*—to one that remembers and adapts, entering what some call its “Cheers” era, where chatbots will know your name, preferences, and patterns. Startups like DearFlow are leading this transition by building AI personal assistants that integrate with calendars and emails, learning continuously to offer proactive help. Major players like Google are also evolving AI systems like Gemini to anticipate user needs—for example, preparing study guides ahead of exams based on calendar events and stored data.

- This memory revolution is powered by improved model reasoning, reduced costs for retrieval-augmented generation, and more standardized tools for connecting AIs to external data. In healthcare, companies like Abridge are using memory to streamline clinical documentation, building AI systems that learn from past records and can function as shared memory across entire medical teams. Enterprise tools like Anthropic's Claude Projects similarly provide persistent, structured knowledge that teams can build on over time, preserving institutional memory through staff changes and across departments.
- However, the expansion of AI memory also raises serious concerns. With broader recall comes the risk of breaches, data misuse, and unclear user control. Security experts warn that attackers might exploit AI access, or manipulate prompts to leak sensitive information. In response, companies like Microsoft are implementing layered security systems, not just at the infrastructure level but also around how agents are governed and how their interactions with humans are regulated.
- Ultimately, while we may not yet feel emotionally close to our AI assistants, the deepening memory and contextual awareness of these systems are bringing them closer to functioning like attentive companions—capable not just of responding, but of helping proactively. The challenge ahead will be balancing that intimacy with safety and control.





- **The Cost of Decoupling: Chinese Tech Giants Face Hurdles in Shifting to Domestic AI Chips**

- China's tech giants are grappling with significant operational challenges as they pivot from Nvidia to domestic AI chips, facing costly and time-consuming transitions from established frameworks like CUDA to homegrown alternatives, even as current inventories dwindle.
- China's leading tech giants — including Alibaba, Tencent, and Baidu — are in the midst of a strategic transition toward domestic semiconductor solutions for their AI development, prompted by mounting US export restrictions on Nvidia chips. The recent clampdown by the Trump administration on the sale of Nvidia's H20, a chip designed to comply with Biden-era regulations, has heightened urgency. These companies are rapidly testing and evaluating alternatives as their existing Nvidia inventories may only sustain operations until early next year. With chip orders typically requiring three to six months for delivery, this creates a critical gap.
- Baidu and Alibaba have publicly acknowledged their shift toward diversified chip strategies. Baidu's Shen Dou expressed confidence in locally developed chips and software forming a sustainable base for China's AI ecosystem. Alibaba's Eddie Wu echoed similar sentiments, emphasizing efforts to match internal and client needs. Tencent's Martin Lau noted that while their existing chip stock could support several more model generations, they are optimizing usage and considering alternative products, including for the rising demand in inference — a less computationally intensive process than training but increasingly vital as AI applications grow.

- Huawei's Ascend chips have emerged as a national symbol of tech resilience, gaining traction particularly among state-owned enterprises in sectors like defense, healthcare, and finance. Now, broader interest from private tech firms is building, though companies are cautious in publicizing their adoption. This comes amid new US guidance threatening criminal penalties for those using Huawei's chips globally. Nevertheless, the China Institutes of Contemporary International Relations sees this pressure as a catalyst for innovation, with Huawei at the forefront of domestic AI chip advancement.
- Nvidia, meanwhile, is navigating its own challenges. Analysts believe a compliant chip may become available by July, but it will lack key features like high-bandwidth memory, essential for handling massive data workloads. Uncertainty also remains around Nvidia's NVLink connectivity in the new product. Nvidia CEO Jensen Huang admitted during an earnings call that the company has no firm solution yet for China. For Chinese firms, transitioning away from Nvidia's CUDA framework to Huawei's CANN environment is laborious and costly, requiring extensive technical support and posing at least three months of developmental disruption.
- Faced with these challenges, many Chinese firms are adopting hybrid strategies — continuing training on existing Nvidia hardware while shifting inference processes to domestic chips. This allows continuity while mitigating disruption. In addition to Huawei, companies like Cambricon and Hygon are gaining attention, and Alibaba and Baidu are accelerating the development of their own chips. However, Huawei's current production capacity falls short of demand, highlighting ongoing supply constraints even as national efforts intensify to bolster China's semiconductor self-sufficiency.

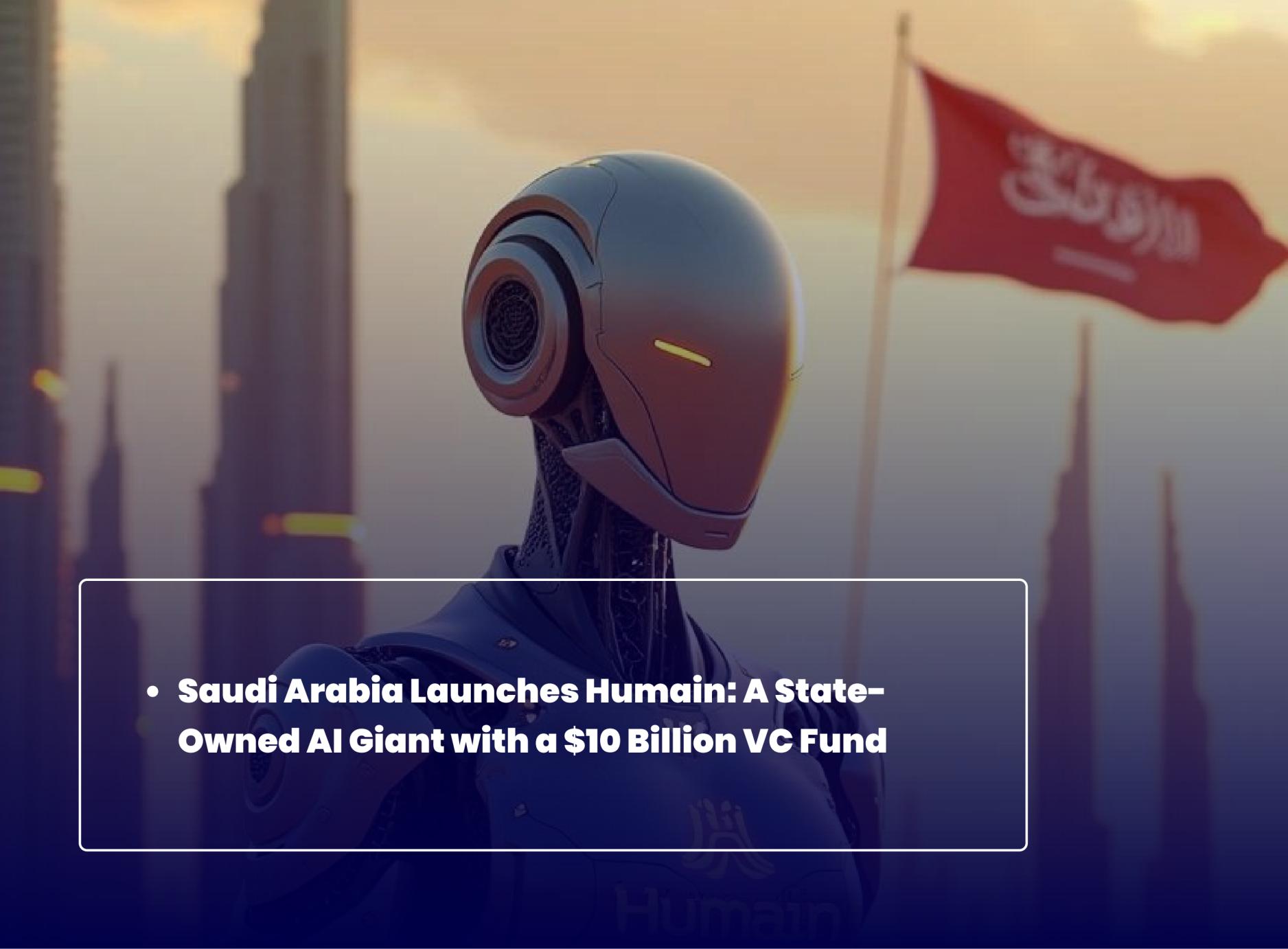


- **The Deepfake Deluge: AI Makes Malicious Manipulation Shockingly Simple**

- Hyper-realistic yet fabricated images, videos, and audio, known as deepfakes, are rapidly proliferating online. Thanks to advanced generative AI, creating convincing manipulations to spread fake political messages, explicit content, or financial scams now requires little effort, posing a serious global threat.
- Deepfakes—hyper-realistic but fabricated images, videos, or audio created using AI—are becoming a serious global threat. Their creation now takes little effort thanks to advanced generative AI, making it easy to manipulate someone's appearance, voice, or behavior in ways that can be harmful, misleading, or outright criminal. They've been used to spread fake political messages, humiliate public figures with non-consensual explicit content, and even move financial markets through phony news.
- Governments are responding. In the US, President Trump recently signed the “Take It Down Act,” targeting deepfake pornography and requiring social media platforms to remove such content upon request. Regulatory agencies like the FCC have banned AI-generated robocalls after incidents such as a Biden deepfake used during election season. The EU and China now mandate labeling of deepfakes, and the UK is under pressure to ban nudification apps. California passed a law banning manipulated political media after a viral deepfake of Kamala Harris circulated.

- These deepfakes are created using AI systems trained on real video and audio, then altered using deep learning and voice cloning, which makes speech and facial expressions in forgeries eerily accurate. What began with open-source experimentation on Reddit has now exploded into a landscape where AI can generate convincing fakes from just a text prompt.
- Detecting deepfakes is increasingly difficult as the technology improves, but some telltale signs remain: unnatural features, odd shadows, mismatched lip-syncing, or glitchy pixelation. Still, AI-generated content is becoming indistinguishable from reality, posing risks of misinformation, financial fraud, or even fake war crimes footage. The danger goes beyond individual privacy; it strikes at the core of public trust.
- To combat the threat, companies like Microsoft and OpenAI are developing watermarking and detection tools. Startups such as Sensity AI and Sentinel are also working on deepfake detection tech. But despite these efforts, there's a growing fear that as deepfakes get better, discerning truth from fiction may become nearly impossible—leaving society vulnerable to deception, exploitation, and a broader erosion of trust.

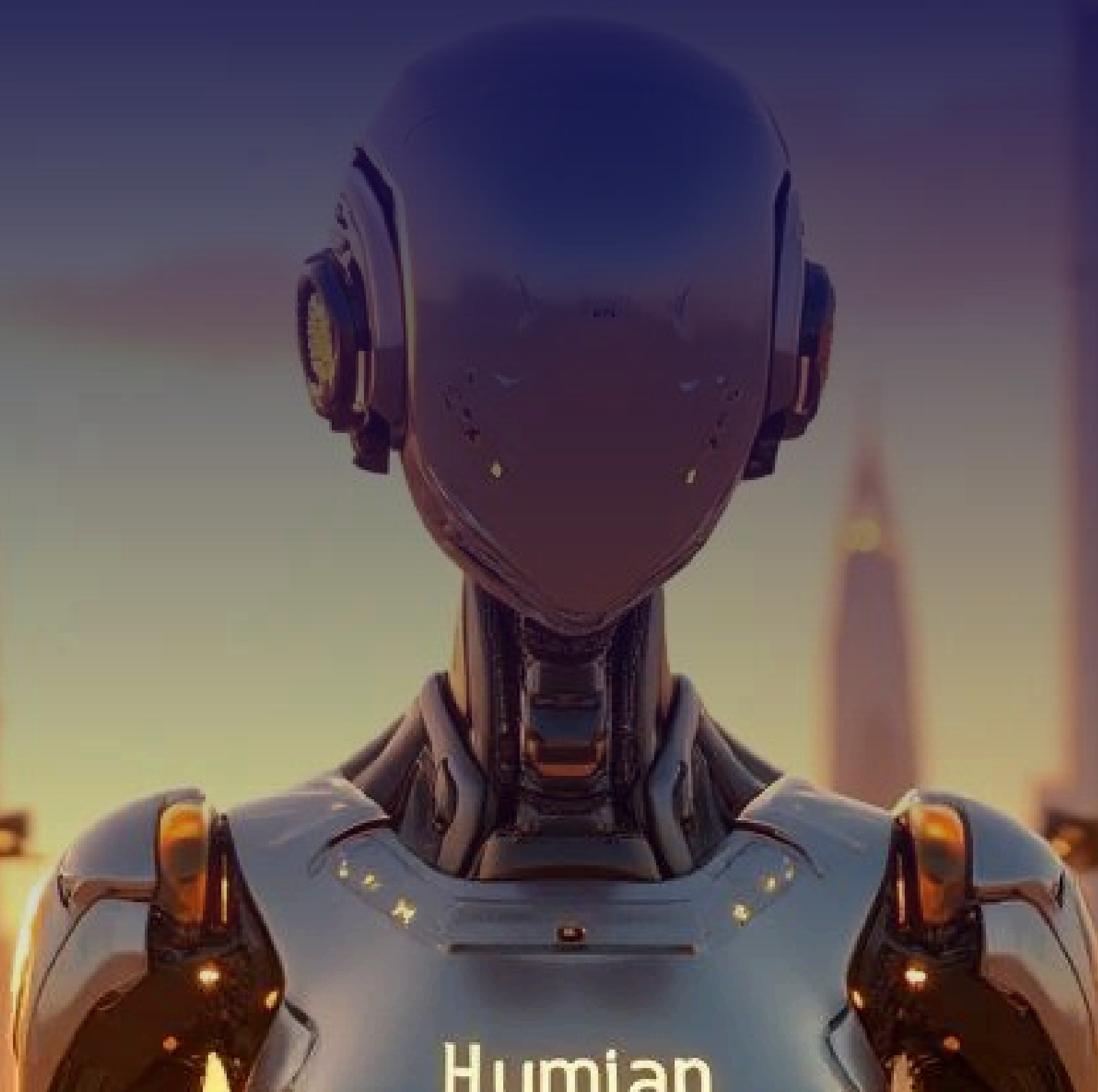




- **Saudi Arabia Launches Humain: A State-Owned AI Giant with a \$10 Billion VC Fund**

- Saudi Arabia has unveiled Humain, a new state-owned artificial intelligence company, declaring its intent to become a global AI leader. Backed by the Public Investment Fund, Humain plans to raise a \$10 billion venture capital fund and has already secured \$23 billion in deals with major tech players like Nvidia and Amazon Web Services.
- Saudi Arabia has launched a state-owned artificial intelligence company called Humain, led by CEO Tareq Amin, as part of an ambitious national effort to become a global leader in AI. The company plans to raise a \$10 billion venture capital fund to invest in startups across the US, Europe, and Asia and is in talks with top American tech firms like OpenAI, Elon Musk's xAI, and Andreessen Horowitz. Amin confirmed that Humain is also looking for a US tech partner to co-own its data center infrastructure business. Backed by the powerful \$940 billion Public Investment Fund and chaired by Crown Prince Mohammed bin Salman, Humain has already signed \$23 billion in deals with companies like Nvidia, Amazon Web Services, AMD, and Qualcomm.
- Humain's infrastructure plan includes building some of the world's largest AI data centers, aiming for 1.9GW capacity by 2030 and 6.6GW by 2034 — a project expected to cost \$77 billion. The goal is to handle 7% of the world's AI training and inferencing by 2030, an aggressive strategy to capture significant market share quickly. Amin emphasized that Saudi Arabia is not taking a slow approach and is aiming to be among the global AI frontrunners. These efforts are part of the broader regional trend among Gulf states to leverage their financial strength to diversify economies away from oil by investing in cutting-edge technology and exporting data services.

- Saudi Arabia's alignment with US tech companies is strategic, aimed at avoiding concerns over technology transfers to China while building credibility with American policymakers. Amin stated that Humain's equity partnerships are carefully chosen to bring more than just capital — they are about deep integration into the US tech ecosystem. The company's first data center will use 18,000 Nvidia chips and scale to 500MW using 180,000 GPUs. Parallel ventures include a \$10 billion deal with AMD for 500MW of capacity and a \$2 billion partnership with Qualcomm to establish a chip design center employing 500 engineers in Riyadh.
- Procurement of advanced chips is set to begin within a month, supported by recent US regulatory changes easing AI chip sales to Saudi Arabia. Addressing concerns over privacy, Amin proposed real-time auditing for data centers and legislation that would make these centers subject to the data laws of their tenant companies' home countries. This could alleviate worries over data sovereignty, especially in regions like the EU. Riyadh is also offering subsidies on already cheap electricity to attract more data center operations, positioning itself as a low-cost, high-capacity AI infrastructure hub.
- Humain is consolidating key AI initiatives under one roof, including taking over projects like Groq's inferencing data center, originally a joint venture with Aramco Digital. A major expansion in Saudi Arabia's Eastern Province is underway, with plans for massive AI parks in Riyadh as well. Despite economic pressure from declining oil revenues and massive ongoing megaprojects, AI is seen as a strategic priority. Amin stressed that the question is not whether the country can afford to invest in AI during periods of financial strain, but whether it can afford to miss the opportunity to lead in the next major wave of technological innovation.



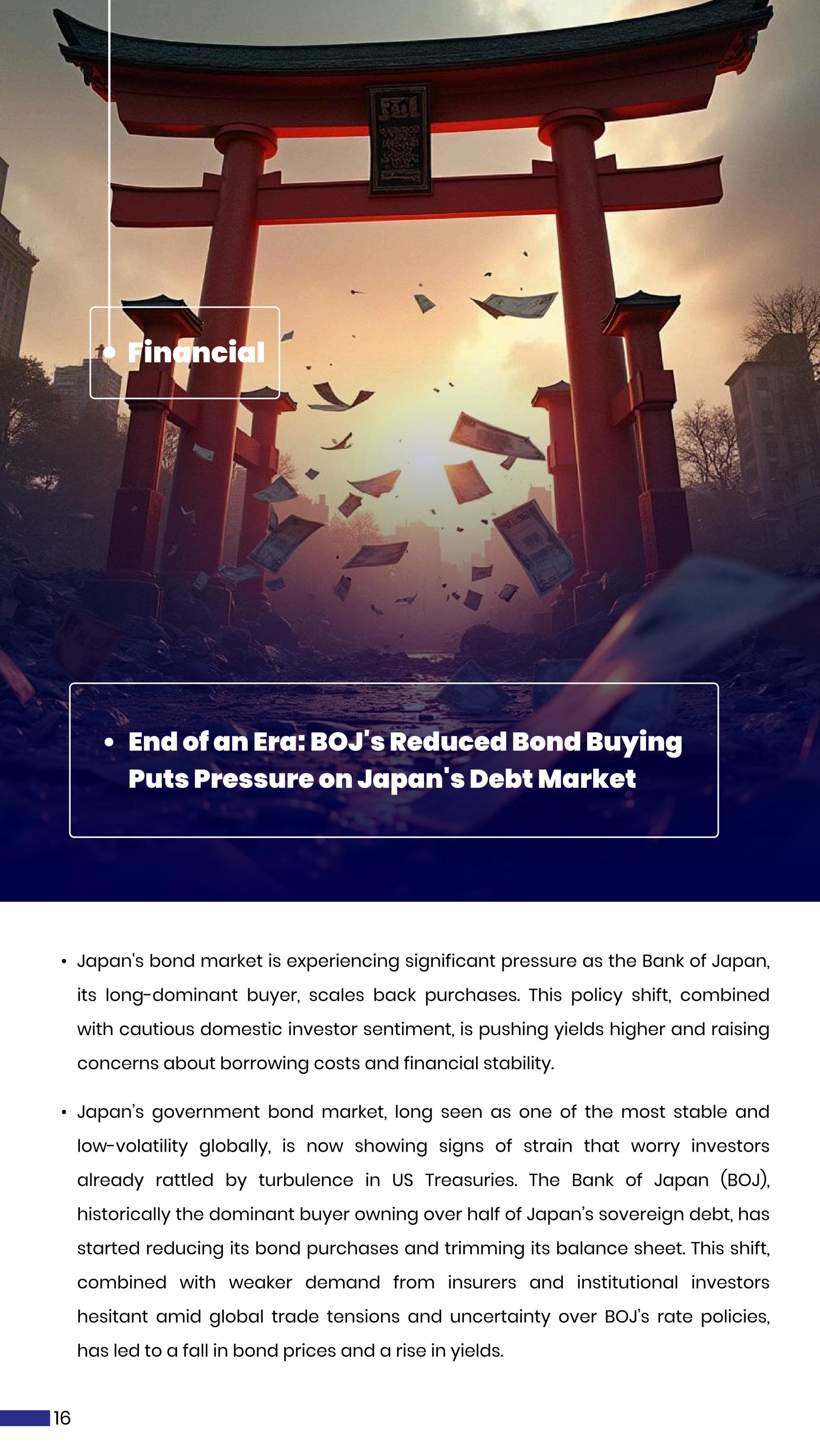


- **Tether Unveils QVAC: Building a Decentralized AI Future Powered by Bitcoin**

- Tether CEO Paolo Ardoino is spearheading a bold vision to converge Bitcoin and AI, launching QuantumVerse Automatic Computer (QVAC)—a privacy-focused, open-source AI system designed to run locally and feature autonomous, transacting AI agents, aiming to empower individuals over centralized platforms.
- Paolo Ardoino, CEO of Tether, envisions a future where the convergence of Bitcoin and AI empowers individuals rather than platforms. Tether, already dominant in digital assets through its USDT stablecoin, is now branching into decentralized AI with QuantumVerse Automatic Computer (QVAC)—a privacy-focused, open-source AI system designed to run on local devices, even low-end smartphones, without relying on cloud infrastructure. Announced on May 14, QVAC prioritizes local-first computing, offline functionality, and user ownership, aiming to serve small businesses and universities, particularly in underserved regions.
- Unlike traditional AI platforms like OpenAI or Anthropic, QVAC is decentralized and engineered to function without centralized servers. Its most radical feature is sovereign AI agents: each instance includes a non-custodial crypto wallet, allowing it to transact autonomously, making decisions and collaborating with other agents peer-to-peer across borders and regulatory systems. This goes far beyond passive AI assistants by enabling active participation in decentralized economies.

- QVAC has drawn comparisons to Bittensor, another decentralized AI protocol, but Ardoino stresses the difference: Bittensor incentivizes training models, while QVAC focuses on deploying functional agents equipped for autonomy and resilience. Where Bittensor appeals to developers and researchers, QVAC is designed for widespread, real-world adoption—especially in emerging markets.
- QVAC is also part of a broader initiative called Twenty One, launched with Strike CEO Jack Mallers and SoftBank. Backed by 42,000 BTC, Twenty One is building a new financial ecosystem rooted in decentralization and censorship resistance. Ardoino describes this as pairing “Bitcoin as peer-to-peer cash” with “QVAC as peer-to-peer intelligence,” a vision of a parallel global system that is both open and unstoppable.
- To bolster transparency and trust, Tether is working with a Big Four accounting firm to implement proof-of-reserves for QVAC, reinforcing its commitment to openness. With no licensing fees or platform lock-ins, Tether aims to lead the next wave of decentralized AI by creating infrastructure that’s impossible to control or censor.
- In sum, Tether is betting that by merging Bitcoin and AI through sovereign agents and local-first tech, it can help create a more equitable, autonomous digital future—one where the tools of intelligence and finance are fully in the hands of users.





- **Financial**

- **End of an Era: BOJ's Reduced Bond Buying Puts Pressure on Japan's Debt Market**

- Japan's bond market is experiencing significant pressure as the Bank of Japan, its long-dominant buyer, scales back purchases. This policy shift, combined with cautious domestic investor sentiment, is pushing yields higher and raising concerns about borrowing costs and financial stability.
- Japan's government bond market, long seen as one of the most stable and low-volatility globally, is now showing signs of strain that worry investors already rattled by turbulence in US Treasuries. The Bank of Japan (BOJ), historically the dominant buyer owning over half of Japan's sovereign debt, has started reducing its bond purchases and trimming its balance sheet. This shift, combined with weaker demand from insurers and institutional investors hesitant amid global trade tensions and uncertainty over BOJ's rate policies, has led to a fall in bond prices and a rise in yields.

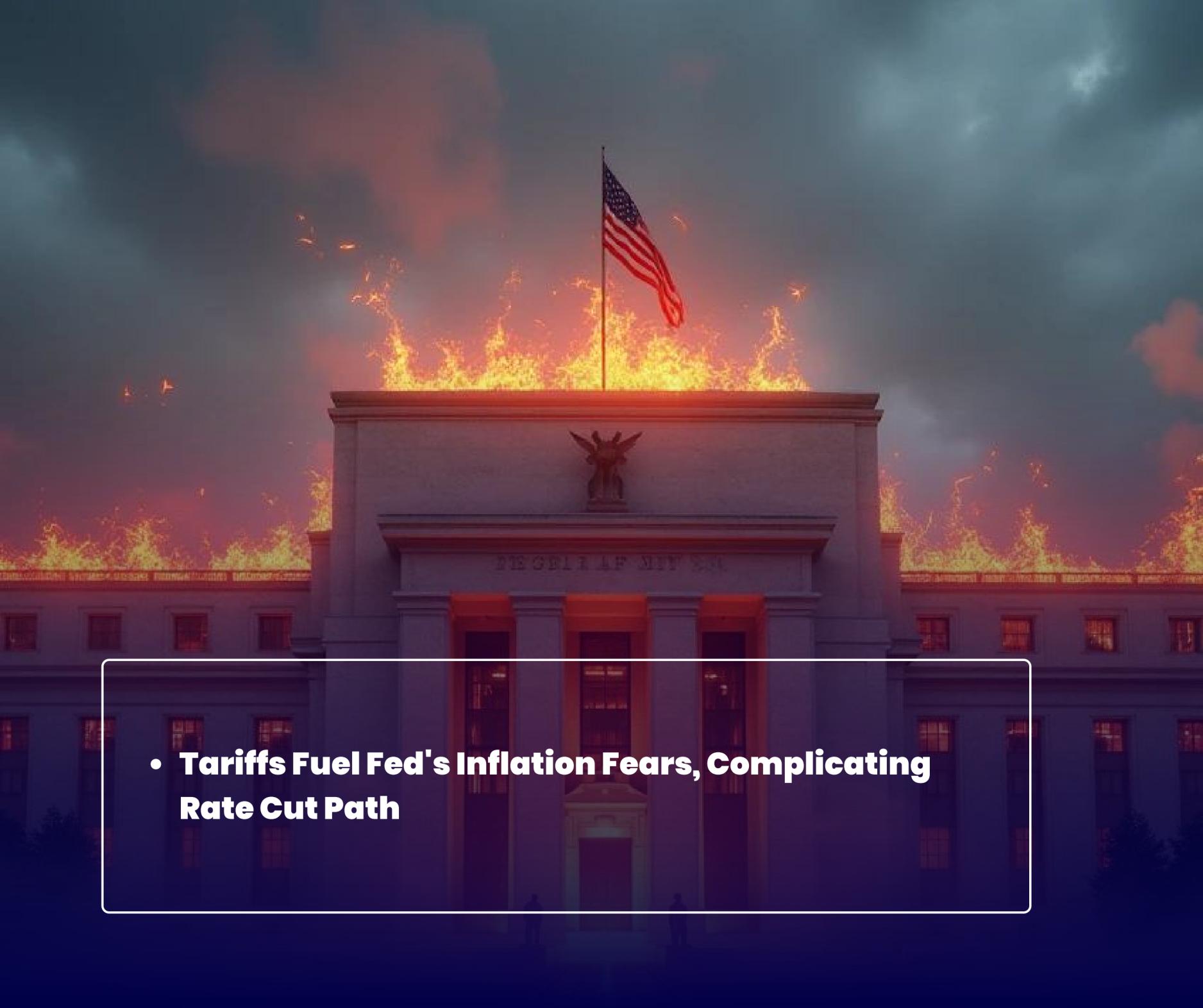
- Government bonds have traditionally attracted investors as safe, low-risk assets offering steady returns over long terms. Japanese bonds, in particular, benefited from the BOJ's long-running policy of aggressive bond buying to combat deflation during the "Lost Decades." Now, with Japan moving out of deflation, the central bank is scaling back, having cut about ¥21 trillion (\$146 billion) from its holdings and reduced quarterly purchases. Meanwhile, domestic buyers are holding back, waiting for clarity on trade disputes and monetary policy, although foreign investors have increased their purchases somewhat, possibly shifting away from US bonds due to doubts about their safety.
- Globally, bond markets have experienced selling pressure since the US imposed tariffs in April, creating uncertainty about future government spending and economic growth. The US bond market, in particular, suffered further after Moody's downgraded the country's credit rating. The pressure on Japan's long-term bonds has been notably severe, which risks increasing borrowing costs for the government, companies, and consumers at a time when Japan's debt burden is already a concern. Rising yields have also caused significant paper losses for Japan's major life insurers, threatening their financial stability.
- The BOJ faces a tricky balancing act: maintaining low borrowing costs to support the economy while managing inflation and the fallout from rising yields. Life insurers and pension funds are urging the central bank to intervene to stabilize the market. Additionally, Japan's finance ministry is considering cutting the issuance of long-term bonds to better align supply with demand, reflecting the government's effort to calm the market after poor bond auction results. How Japan navigates these challenges will be critical both domestically and for global investors who watch the country's bond market closely.





- **As Dollar's Dominance Wanes, Europe Has a Golden Opportunity to Promote the Euro as a Safe Haven**

- The recent downgrade of U.S. credit and declining confidence in the dollar are creating a strategic opening for the European Union to elevate the euro as a global reserve currency, a move that hinges on the controversial but crucial step of issuing jointly backed debt.
- The dollar is gradually losing its dominance as the world's default safe-haven currency, a decline underscored by Moody's downgrading of the last remaining U.S. triple-A credit rating. This moment of waning confidence in the dollar presents the European Union with a strategic opportunity to promote the euro as a viable reserve currency. A key step toward that goal is for the EU to shed its long-standing resistance to jointly issued debt backed by member states, thereby enhancing the euro's international appeal and strengthening Europe's economic resilience.
- The decline in foreign holdings of U.S. debt — from 50% in 2014 to just one-third in 2024 — reflects more than just political decisions like Donald Trump's trade and fiscal policies; it points to a broader structural shift. At the same time, European assets such as German Bunds are seeing growing interest from foreign investors, with an increase of €160 billion in holdings over 2023 and 2024. If the EU acts swiftly, it can build on this momentum to lower its borrowing costs and gain greater fiscal flexibility, as demonstrated by the BIS's estimate that \$100 billion in foreign Treasury purchases can reduce interest rates by about 0.20 percentage points.



- **Tariffs Fuel Fed's Inflation Fears, Complicating Rate Cut Path**

- Federal Reserve officials are increasingly concerned that recent tariff hikes, particularly under the Trump administration's escalated trade policies, could push inflation higher and force the central bank to maintain its cautious, wait-and-see approach on interest rates for longer than anticipated.
- Federal Reserve officials are growing increasingly concerned that recent tariff hikes—especially under Trump’s trade policy escalation—could push inflation higher and complicate the central bank’s path forward. According to the minutes of the May 6–7 meeting, the Fed acknowledged that economic uncertainty has risen, and the risks of both rising unemployment and inflation have increased, warranting a cautious, wait-and-see approach. The Fed is holding rates steady for now, but the tone of the minutes and public comments from officials suggest rate cuts are not on the near horizon.
- The Fed is particularly worried about stagflation: a combination of slowing growth and accelerating prices. Tariffs were expected to “boost inflation markedly” this year, with lingering effects into 2026 and possibly 2027. Businesses are signaling that they plan to pass increased costs from tariffs onto consumers, and in some cases, even untariffed firms may raise prices in response to competitors doing so—potentially reinforcing inflation expectations in a dangerous feedback loop.

- Meanwhile, Fed staff economists have downgraded their growth forecasts due to trade-policy shocks and now expect a weaker labor market, with higher unemployment possibly persisting through 2027. Though Trump's recent decision to lower tariffs on China from 145% to 30% has eased investor fears somewhat, the overall trade environment remains tense, and the uncertainty is a key reason the Fed isn't cutting rates.
- Officials did acknowledge some possible offsets to inflationary pressure, including household resistance to higher prices, potential economic weakening, or tariff rollbacks if negotiations with trade partners progress. But most policymakers emphasized the risk that inflation could remain more persistent than forecast, underscoring the Fed's hesitation to ease monetary policy soon.
- In summary, Fed officials are walking a tightrope: they are watching for signs of weakening growth but remain laser-focused on containing inflation that tariffs could re-ignite—an especially sensitive issue after recent years of elevated price pressures.

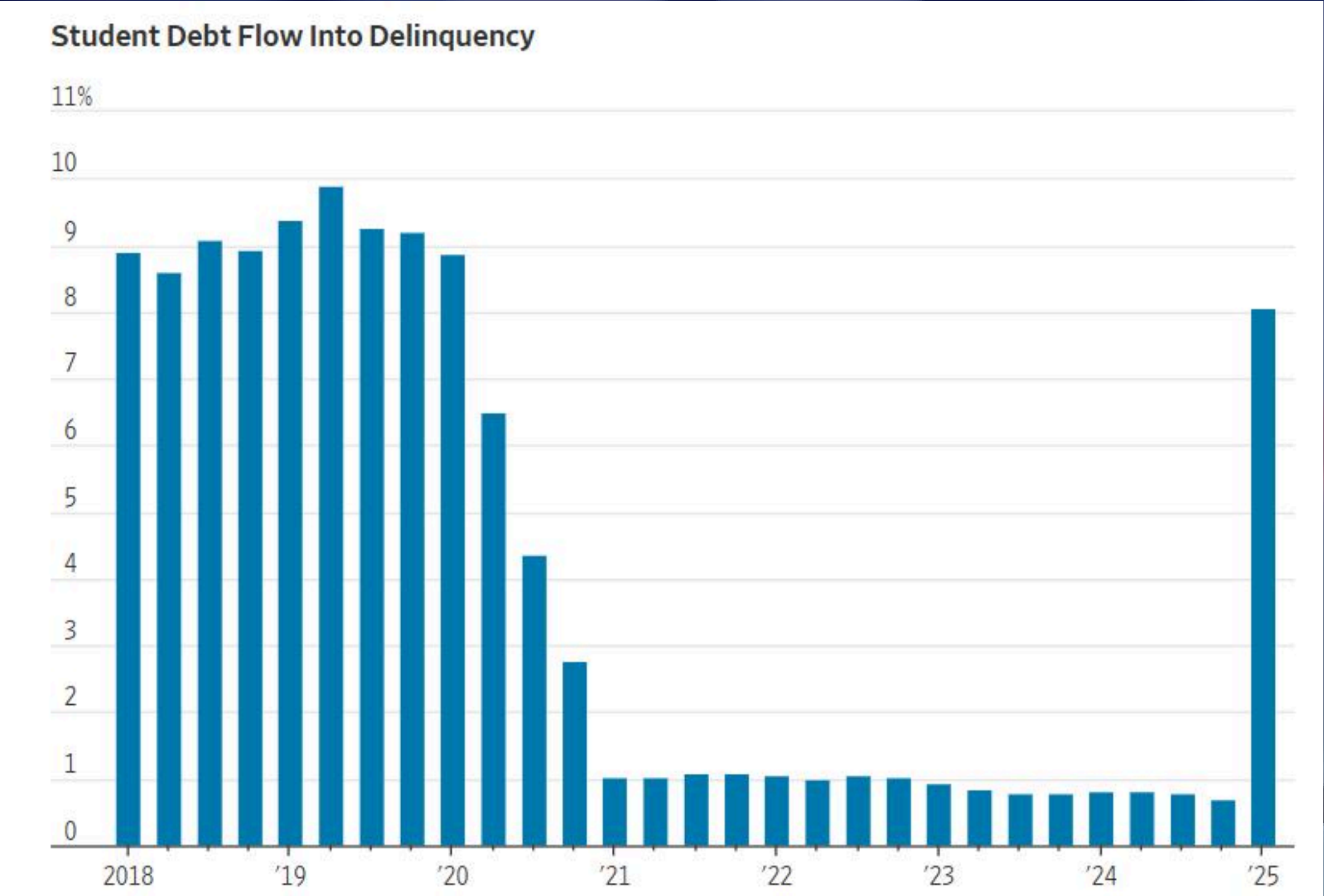




- **Student Loan Resumption Expected to Drag on US GDP Growth as Delinquencies Surge**

- The resumption of student-loan repayments is diverting billions in monthly spending from the U.S. economy, with economists forecasting up to a 0.1 percentage point reduction in GDP growth as millions of borrowers struggle with new delinquencies and credit score declines.
- With student-loan repayments fully restarted after the pandemic-era pause, millions of Americans are now feeling the financial strain. Delinquency rates have surged, with 5.6 million borrowers marked as newly delinquent in early 2025. Many are experiencing significant drops in credit scores, especially among near-prime and prime borrowers, making it harder to qualify for loans or credit. The Trump administration has resumed collections for defaulted loans, including wage and benefit garnishments, adding further pressure. Economists expect this could reduce GDP growth by up to 0.1 percentage point, as billions in monthly payments divert spending away from the broader economy.
- The situation is complicated by shifting expectations around forgiveness. Many borrowers believed Biden's forgiveness efforts would eventually cancel their debts, so they didn't budget for repayments. Some are encountering new loan servicers for the first time, creating confusion. Particularly vulnerable are borrowers who attended for-profit or two-year colleges, or who didn't complete their degrees—groups already more likely to struggle financially.

- The rapid credit score declines (up to 177 points for prime borrowers) highlight the risk of long-term financial exclusion for people who had managed to stay afloat during the pause. Mississippi, a state with high poverty rates, has the highest share of delinquents at 45%, underscoring how socioeconomically fragile communities are bearing the brunt of the policy shift.
- Economists remain divided on what happens next. Some, like Duke’s Michael Dinerstein, hope new income-based repayment plans like SAVE will eventually stabilize the situation. But others, like Cambridge’s Constantine Yannelis, worry that many borrowers—especially those who have never made a payment before—may fall deeper into delinquency, worsening credit conditions and deepening inequality.
- Ultimately, the end of the student-loan pause may reveal not just the fragility of borrower finances, but also systemic challenges in how the U.S. manages and communicates debt relief and repayment obligations.





- **Islamic Finance's \$1 Trillion Challenge: New Sukuk Standard Risks Fragmentation and Reduced Appeal**

- A controversial proposal by AAOIFI to reform sukuk structures, demanding full legal ownership transfer of underlying assets, risks fragmenting the \$1 trillion global sukuk market. Such a shift could undermine liquidity and reduce the asset class's appeal to mainstream institutional investors, who rely on predictable, bond-like profiles.
- The global sukuk market is facing a turning point as AAOIFI's proposed changes to Shariah Standard 62 aim to make sukuk more closely aligned with Islamic principles by shifting from "asset-based" to "asset-backed" structures. While spiritually motivated, this shift would require full legal ownership of assets to transfer to investors, rather than just beneficial interests. This raises serious concerns for implementation, especially in major sukuk markets like Saudi Arabia, the UAE, and Indonesia, where transferring state assets such as infrastructure or natural resources may be legally or politically infeasible. Investors, who currently treat sukuk like Islamic bonds with predictable returns and credit-risk profiles, may find the new model too equity-like and uncertain.

- The proposed changes could severely affect market confidence, create legal complexities, and reduce sukuk's appeal to institutional investors bound by credit ratings and fixed-income mandates. Fitch has already suggested that such sukuk may become unratable, which could limit participation from pension funds and sovereign investors who have only recently embraced the asset class. If countries adopt the standard inconsistently, it risks fragmenting what has become a globally accepted and relatively uniform market, potentially undermining liquidity and increasing the cost of capital.
- To prevent market disruption, a balanced approach is critical. The article argues that reforms should be gradual, with the new standard applying only to future issuances. Jurisdictional flexibility should be built in to accommodate legal limitations on asset transfers. Moreover, AAOIFI should work closely with credit rating agencies to ensure sukuk remains accessible to institutional investors under existing mandates. While the religious authenticity of sukuk must be safeguarded, market realities also need to be respected to ensure the system remains functional.
- This moment represents a high-stakes decision for Islamic finance. Sukuk has succeeded because of its principled yet practical flexibility — preserving faith-based values while allowing integration into global markets. How AAOIFI finalizes Standard 62 in 2025 could either strengthen this balance or risk destabilizing a \ \$1 trillion financial ecosystem.





• ICELAB

• **Stablecoins Are Banks: Why Regulating Them as Such is Key to Financial Stability**

- Stablecoin issuers, by their very nature, operate like banks—taking deposits and issuing redeemable liabilities. Recognizing this fundamental truth is driving new legislative efforts, such as the Genius Act, to bring these digital assets under a regulatory framework designed for a new kind of financial institution.
- Stablecoin issuers operate fundamentally like banks, issuing liabilities redeemable on demand and backed by investments. This means that a stablecoin, regardless of its use in crypto markets or payments, functions like a bank deposit. If an entity takes your money, invests it, and issues a redeemable token in return, it's acting as a bank. Recognizing this framework helps explain recent developments, including major U.S. banks exploring a joint stablecoin project to remain competitive amid crypto's growth, and the advancement of the Genius Act in the Senate, which proposes a regulatory structure for stablecoin issuers.
- The Genius Act outlines light-touch regulation for what amounts to a new kind of banking system. It mandates that stablecoins be fully backed by highly liquid assets such as U.S. dollars, central bank reserves, short-term Treasuries, and select money market fund shares. It also introduces transparency measures, like monthly reserve disclosures and annual audits for large issuers, but offers no strict direction on capital or risk regulations. Notably, it denies stablecoins the legal label of “deposits,” despite their functional equivalence, and prohibits them from offering interest—a rule that may serve either as a favor to issuers or a safeguard against riskier investments.

- Despite its regulatory structure, stablecoins carry inherent risks, especially when their reserves are held as uninsured bank deposits. The 2023 example of Circle's \$3.3 billion exposure to the failed Silicon Valley Bank highlights the danger: uninsured reserves can lead to systemic instability if there's a run. Limiting reserves to Treasuries could reduce this risk but may present operational challenges, particularly if Treasury bill supply is insufficient or market conditions make them illiquid during crises. These issues underscore the fragility of a payments system relying on private stablecoin reserves held in traditional banks.
- The benefit stablecoins promise—faster payments—is genuine, especially for cross-border and domestic transactions that remain sluggish. However, it's unclear whether privately issued stablecoins are the optimal solution. If banks and the Federal Reserve adopted a shared blockchain-based system for tokenized deposits, they could deliver the same speed and transparency benefits without introducing the complexities and risks of stablecoins. This would eliminate the need for crypto-specific intermediaries and relegate stablecoins to their original niche in crypto trading.
- In essence, the current debate isn't just about technology or innovation but about financial architecture and stability. Recognizing stablecoin issuers as banks helps clarify the need for appropriate oversight and the limitations of existing insurance mechanisms. Instead of patching stablecoins into the financial system, a better long-term solution may be to modernize the traditional banking infrastructure using the very tools that made stablecoins appealing in the first place.





- **Bitcoin's Ascent Fuels Corporate Gold Rush: Public Companies Flock to Acquire Crypto**

- Following a remarkable 50% surge to an all-time high near \$112,000, Bitcoin's price rally is igniting a new trend: a growing number of public companies are leveraging equity markets to raise capital specifically for accumulating significant Bitcoin reserves.
- The recent sharp surge in Bitcoin's price, which rose 50% from early April lows to reach an all-time high near \$112,000, has spurred a wave of digital asset companies seeking to raise capital through public markets to buy cryptocurrencies. Companies are eager to capitalize on strong investor demand by offering shares and debt, aiming to build significant bitcoin reserves. One notable example is a media company linked to Donald Trump's family announcing plans to raise \$2.5 billion for crypto acquisitions. The total number of publicly listed companies holding bitcoin has grown notably from 89 to 113 since April, collectively controlling over 800,000 bitcoins valued at about \$88 billion.

- Many firms are inspired by the success of Strategy (formerly MicroStrategy), which has amassed about 580,000 bitcoins and holds a market valuation exceeding \$100 billion. Favorable macroeconomic conditions, such as reduced US-China trade tensions and lower market volatility, have supported these capital-raising efforts. High-profile ventures like Twenty One Capital, linked to Jack Mallers, and Strive Asset Management, founded by politician Vivek Ramaswamy, are actively merging or listing to tap investor funds for bitcoin purchases. Similarly, companies such as Nakamoto Holdings and American Bitcoin, partially owned by Trump's sons, are setting up corporate treasuries focused on bitcoin, aiming to package the cryptocurrency into various investment vehicles for wider market appeal.

The popularity of these bitcoin treasury strategies hinges heavily on Strategy's pioneering role. Since 2020, Michael Saylor's company has used equity markets extensively to fund large bitcoin acquisitions, resulting in a corporate valuation growing faster than the underlying bitcoin holdings. Investors appear to bet on the appreciation of the company's bitcoin reserves outpacing dilution from stock issuance. This approach is believed by some executives to have contributed to supporting bitcoin's price, as increasing corporate demand tightens bitcoin's limited supply of 21 million tokens. The market's positive response is reflected in soaring share prices of firms involved in these transactions, with some rising multiple times over shortly after deal announcements.

- However, analysts caution that replicating Strategy's scale and impact will be challenging. The success depends not only on raising funds but also on investor confidence in the bitcoin treasury model, which may not be easily achieved by newcomers. Moreover, the amount of bitcoin controlled by these new entrants is still small relative to total market size and traditional financial markets. Ongoing uncertainties such as volatile equity markets and unpredictable policies, including Trump's tariff approaches, could limit enthusiasm and capital availability. While the trend to leverage equity markets for bitcoin accumulation is growing, sustaining this momentum amid external risks remains uncertain.

• **Beyond the Crisis: How Blockchain is Redefining Global Finance**

- The global financial system, grappling with deep structural challenges like inflation and eroding trust, is on the cusp of a foundational reset. Decentralized blockchain technologies are emerging as a powerful alternative, promising to enable the seamless movement and management of value without reliance on central intermediaries.
- The global financial system is facing deep, structural challenges, not just short-term shocks. Decades of globalization and reliance on centralized institutions have left it vulnerable to inflation, debt burdens, and a breakdown in trust. In contrast to the information revolution of the 1990s—when protocols like HTTP created a foundation for the internet—finance has yet to undergo a similar reset. Blockchain technologies, particularly decentralized networks like Ethereum and Bitcoin, are emerging as a foundational alternative, enabling seamless movement and management of value without central intermediaries.
- These decentralized systems operate on cryptographic consensus rather than institutional trust, and are already in use by major financial players like JPMorgan and BlackRock for asset tokenization and settlements. Blockchain infrastructure has proven resilient, particularly Ethereum, which has executed numerous upgrades without service interruptions. This technical robustness is beginning to translate into institutional confidence. More importantly, the shift isn't just technical—it's philosophical: trust is being embedded in infrastructure itself, rather than dependent on centralized authorities.
- This evolution isn't about replacing banks or fiat currencies, but rather about adding interoperable financial layers that can reduce friction, expand access, and increase system resilience. Potential applications go far beyond finance—spanning identity, intellectual property, global payments, and even machine-to-machine economic activity. As the internet became indispensable to information exchange, blockchain networks may become equally essential to future economic infrastructure.
- While cryptocurrency markets have been clouded by speculation and volatility, it's critical to distinguish between those market dynamics and the durability of the underlying technology. As the world grows more fragmented and governance becomes more contested, the need for open, programmable, and politically neutral financial infrastructure is no longer optional—it's foundational.

An illustration of a man in a dark blue suit and red tie, standing with his arms crossed and looking towards a large monitor. The monitor displays a stylized American flag where the stripes are composed of rows of gold and silver coins. On the desk in front of him are some papers and a small stack of coins. The background is a dark office setting with a window showing a city skyline.

- **Trump Administration Reverses 401(k) Crypto Ban, Signals Pro-Crypto Era**

- The U.S. Department of Labor has officially rescinded a 2022 directive discouraging cryptocurrency investments in 401(k) plans, signaling a significant shift towards a more crypto-friendly regulatory environment under the Trump administration and aligning with its ambition to make the U.S. a "crypto capital."
- The U.S. Department of Labor has officially reversed a 2022 directive that had discouraged the inclusion of cryptocurrency in 401(k) retirement plans, signaling a more crypto-friendly approach under the Trump administration. This change removes language that urged plan managers to use "extreme care" when considering crypto investments and restores a neutral regulatory stance, allowing fiduciaries to decide whether crypto is appropriate for their plans. The move aligns with President Trump's push to make the U.S. the "crypto capital of the world," coming just after the Trump family's media company announced plans to raise \$2.5 billion to buy bitcoin.
- Vice President JD Vance and other Trump-aligned figures are also actively promoting the industry, attending a major bitcoin conference in Las Vegas. Market optimism around these developments helped push bitcoin above \$110,000, with the price hovering just under \$108,000 shortly afterward. The Department of Labor stated that the Biden-era guidance had deviated from its historical neutrality and that the new stance reaffirms the principle that fiduciaries—not Washington bureaucrats—should determine appropriate investment options.

- Despite the policy shift, retirement plan sponsors must still comply with ERISA, the federal law requiring them to act solely in participants' best interest. Crypto's notorious volatility, combined with legal and operational risks, continues to make many employers and managers hesitant to offer it in retirement menus due to potential liability. In practice, any widespread adoption will likely remain cautious and limited.
- 401(k) plans remain a cornerstone of U.S. retirement savings, allowing workers to invest tax-deferred income in a curated set of options. The Trump administration's move may open the door for more digital asset offerings, but each plan will need to carefully weigh crypto's risk-reward profile before making it available to participants. Legal scrutiny and fiduciary standards will remain major constraints.
- Overall, this decision represents a broader effort by the Trump administration to welcome cryptocurrency into mainstream finance, but actual inclusion in retirement plans will unfold slowly and unevenly depending on how confident fiduciaries feel in navigating the regulatory and market risks.



A futuristic robot with a white and black head and a dark, segmented body is holding two gold Bitcoin coins in its right hand. The robot is positioned in front of a large digital display that shows the text "STORE OF VALUE" in a stylized, glowing font. The background is a dark, industrial setting with blue and orange lighting.

- **Bitcoin's Dual Destiny: Store of Value or Medium of Exchange? The AI Factor**

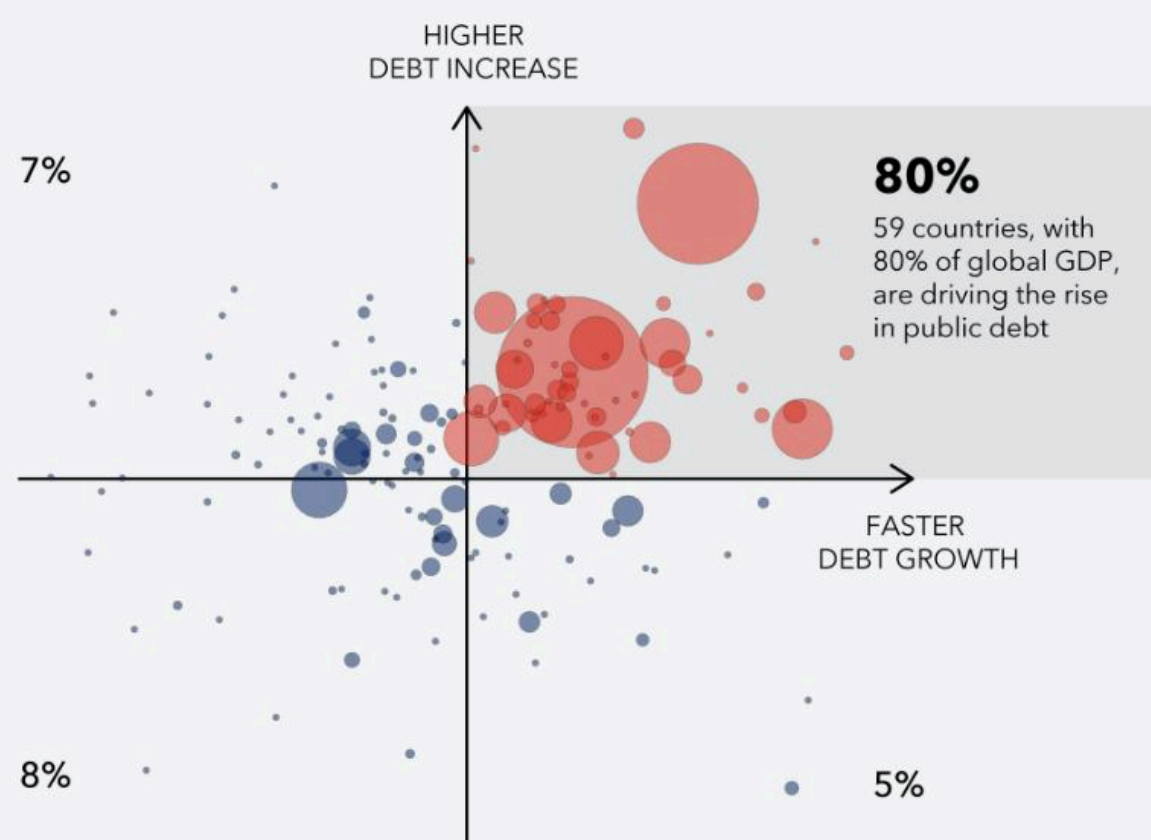
- The long-standing debate within the Bitcoin ecosystem—whether it's primarily digital gold or peer-to-peer cash—is being redefined by the emergence of artificial intelligence, which promises to expand Bitcoin's utility in unforeseen ways.
- The debate over whether Bitcoin should primarily be a store of value or a medium of exchange has been a defining tension within its ecosystem since its birth. Both views are historically grounded and reflect not only Bitcoin's technical evolution but also the real-world experiences and strategic visions of key advocates like Jack Dorsey and Michael Saylor.
- Dorsey argues that Bitcoin's long-term strength lies in its utility, especially as a tool for financial freedom in regions where traditional payment systems are unreliable or extractive. His perspective resonates with Bitcoin's early white paper vision—peer-to-peer electronic cash—and highlights innovations like the Lightning Network, which aim to restore Bitcoin's utility for everyday transactions.
- Saylor, on the other hand, views Bitcoin as digital gold, asserting that its greatest opportunity lies in replacing or complementing traditional stores of value like bonds, real estate, and gold. His framing is strategic: Bitcoin's success depends on attracting capital that seeks preservation, not payment throughput. His broader definition of “peers” in the Bitcoin white paper includes institutions, and his vision suggests Bitcoin's settlement role will evolve at the sovereign and corporate level.

- Rather than a contradiction, these views reflect complementary priorities, shaped by each speaker's domain: Dorsey from fintech and emerging market payments, Saylor from capital markets and corporate treasury management. In the short term, these paths might seem to diverge—developers and businesses must choose where to invest their efforts—but in the long run, they likely converge. A trusted store of value naturally becomes a favored medium of exchange, and vice versa.
- Adding AI into this mix introduces a powerful new dimension. AI agents, increasingly capable of financial and contractual autonomy, will require native digital assets to transact, negotiate, and coordinate globally. Lightning integration is just the beginning. With tools like Taproot enabling more sophisticated smart contracts and privacy-preserving transactions, AI can use Bitcoin not just to pay, but to build trustless systems. These agents can create markets, execute escrow arrangements, or manage custody—all in a programmable and censorship-resistant environment.
- AI also enhances Bitcoin's role as a store of value by enabling more sophisticated custody, compliance, and hedging strategies. In a world where institutions and even AI systems hold Bitcoin on their balance sheets, machine intelligence can optimize security, risk management, and deployment of capital.
- Ultimately, Bitcoin's future is expansive, not exclusive. It can be both a store of value and a payment system. And when paired with AI, it can become the foundation of a machine-native economy—one where intelligence and money move freely, securely, and independently of human gatekeepers.

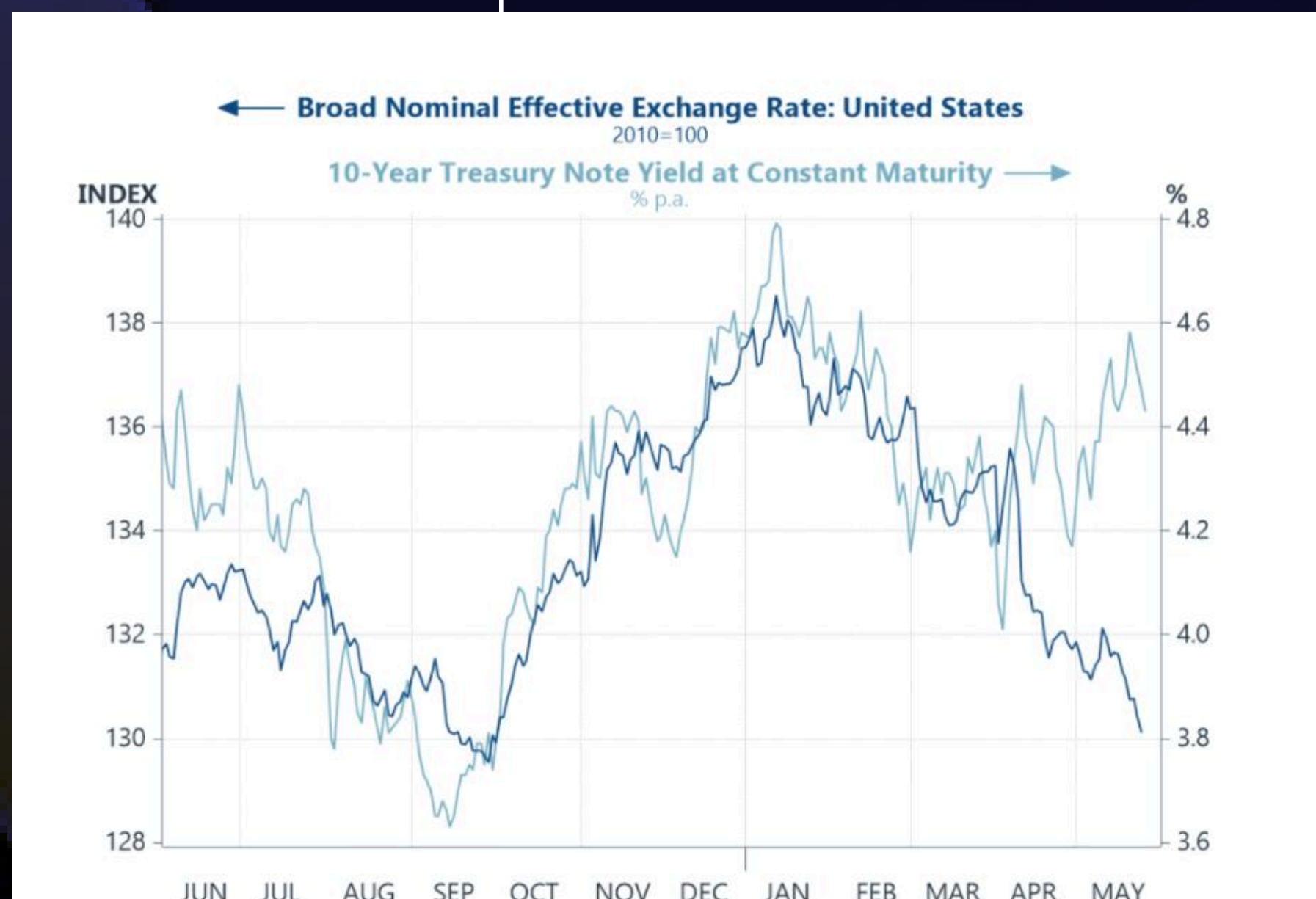


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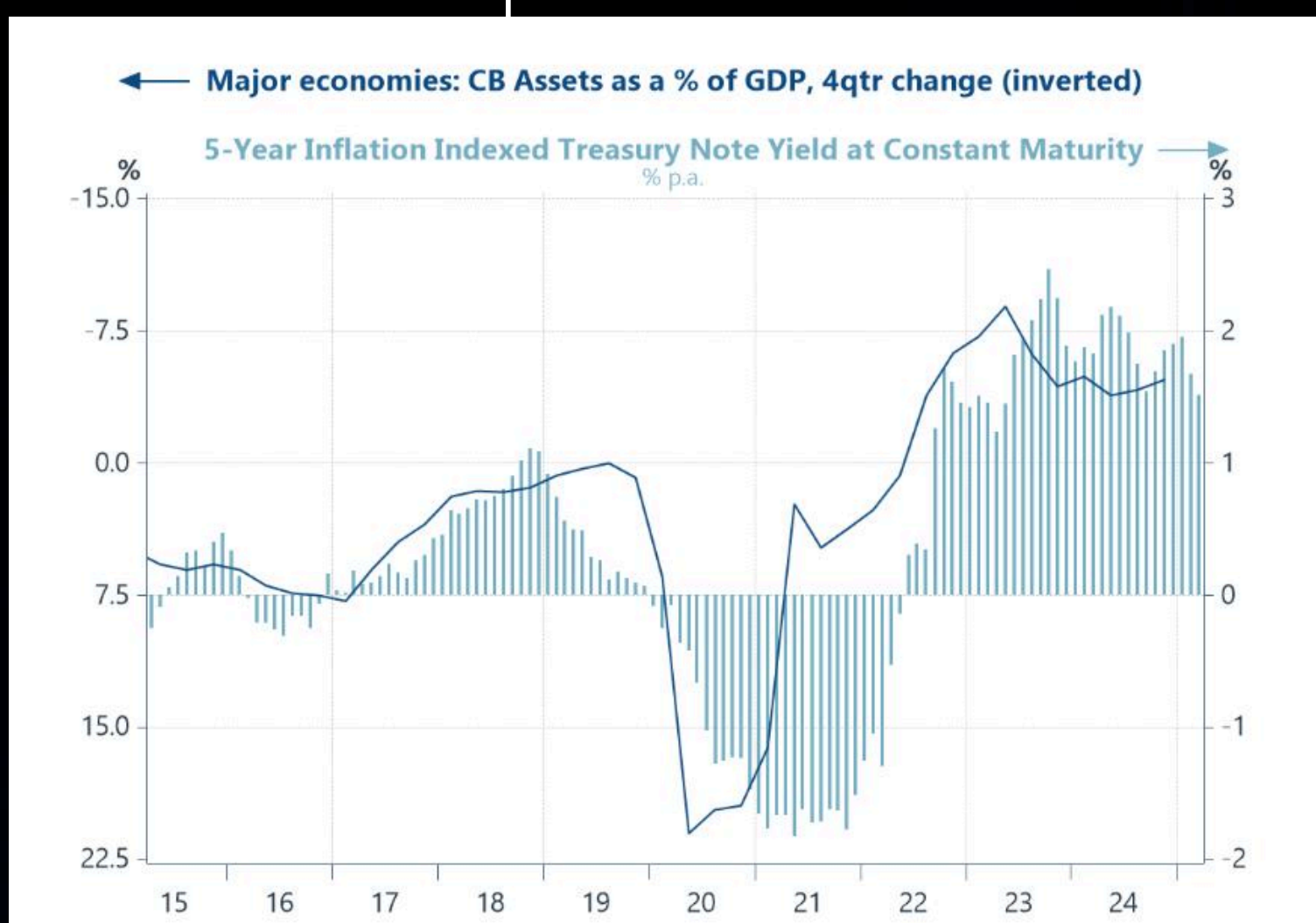
Public debt is higher and growing faster than before the pandemic, propelled by the largest economies



- According to projections, if current trends continue, global public debt could rise to 100% of global gross domestic product by the end of the decade. The report indicates that the increasing public debt-to-GDP ratio mirrors renewed economic pressures and the effects of fiscal support linked to the pandemic. As numerous nations contend with increasing budgetary challenges, this trend sparks new worries regarding the long-term sustainability of their finances.
- The Chart illustrates that roughly one-third of countries, which together represent 80 percent of global GDP, have public debt that exceeds pre-pandemic levels and is increasing more rapidly. More than two-thirds of the 175 economies in our study now have heavier public debt burdens than before COVID spread in 2020.



- The US dollar and US Treasuries
- The first chart emphasizes an unusual divergence: US 10-year Treasury yields have kept rising through May—indicating higher term premia and a reevaluation of fiscal risks—while the broad nominal effective exchange rate for the US dollar has seen a significant decline. This disconnection reflects increasing discomfort regarding the geopolitical and institutional foundations of US financial leadership. The aggressive tariff policies of the Trump administration, which began in early April and were selectively reversed in May, have increased uncertainty regarding the credibility of US trade strategy. The Treasury sell-off is driven by ongoing worries about inflation and high issuance levels, but it also mirrors an increased risk premium linked to unpredictable policy signals and disruptions in capital flows. Importantly, this repricing hasn't remained confined to US markets—long-term yields have moved higher across Europe and Japan as well, suggesting that global fixed income investors are increasingly reacting to systemic pressures rather than country-specific fundamentals. The dollar's underperformance in this context may reflect not just narrowing rate differentials, but a deeper questioning of its safe-haven role.

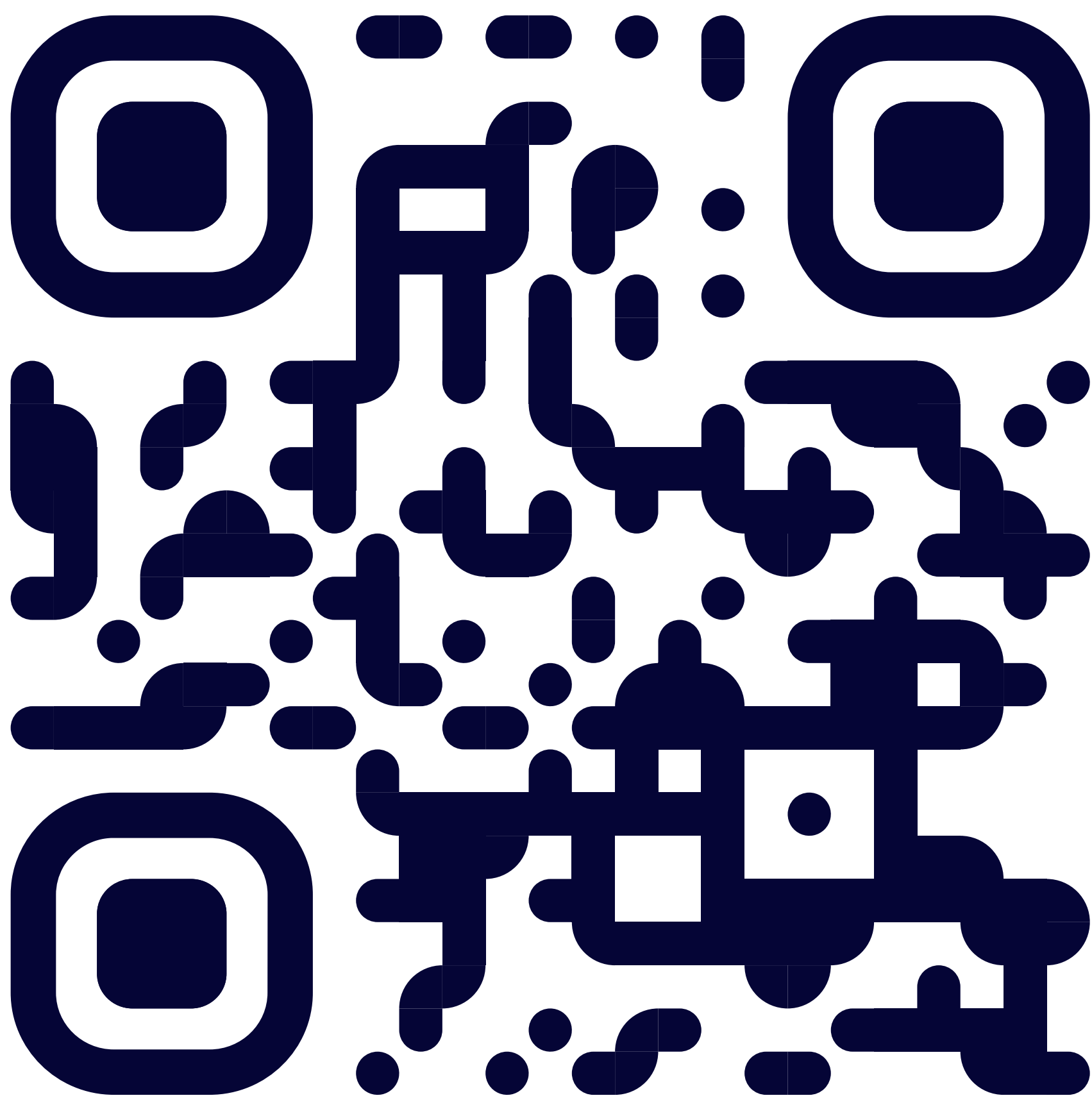


- Central Bank policy and rising real yields
- The chart highlights a fundamental structural driver of the recent increase in real yields: the withdrawal of central bank support. Inverted bars illustrating the drop in central bank assets relative to GDP underscore the ongoing withdrawal of balance sheet stimulus across major economies since 2022. As central banks unwind their holdings, term premia have begun to rebuild, pushing up longer-term US real yields. Not only does this transition mark the conclusion of quantitative easing, but it also signifies a more profound re-evaluation of risk in a context where investors can no longer depend on central banks to support sovereign bond markets. The rise in real yields could be seen as both a signal of capital scarcity and a challenge for leveraged economies—especially those facing higher debt servicing costs and more volatile funding conditions in the post-QE era.

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