

# Context

#### **ICEBERG ANALYTICA**

- Semiconductor Sovereignty: China's Emerging Tech War
- Beyond the Shoplifter: How Tech is Securing Retail
- The Al Investment Paradox: High Costs, Unproven Returns
- The Power Behind Al: A Deep Dive into Energy Consumption
- The Future of Media: Shop, Play, Earn

#### **ICEBERG FINANCIAL**

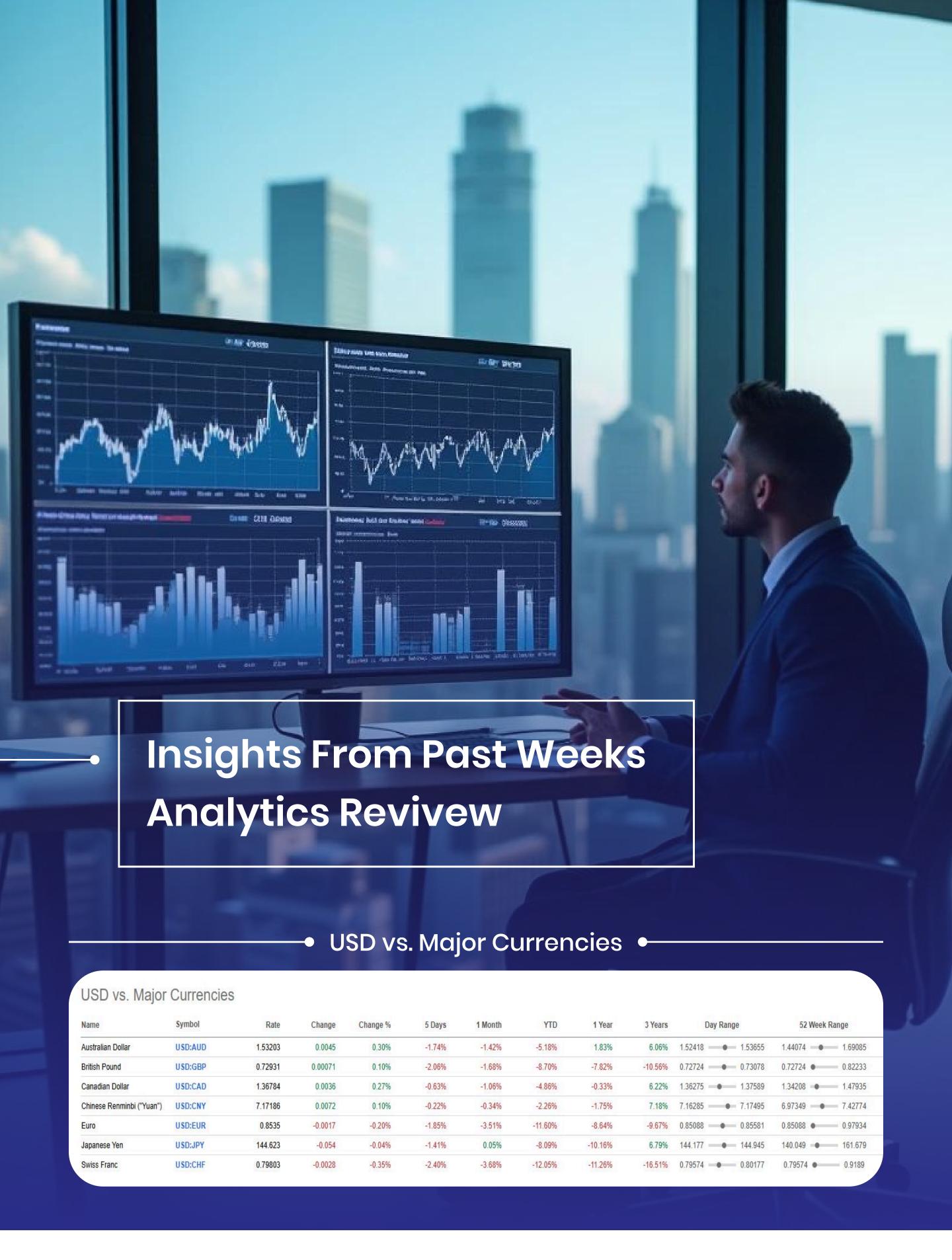
- De-escalation by Design? How Limited Strikes Can Crash Oil
- The Dual Reality of US Bonds: Gains Now, Risks Later
- The US Market's Steadfast Strength: Led by Technology
- Al's Valuation Bubble: Beneath the Surface, Unstable Ground
- Gold Outstrips Cocaine: The New Driver of Latin American Crime

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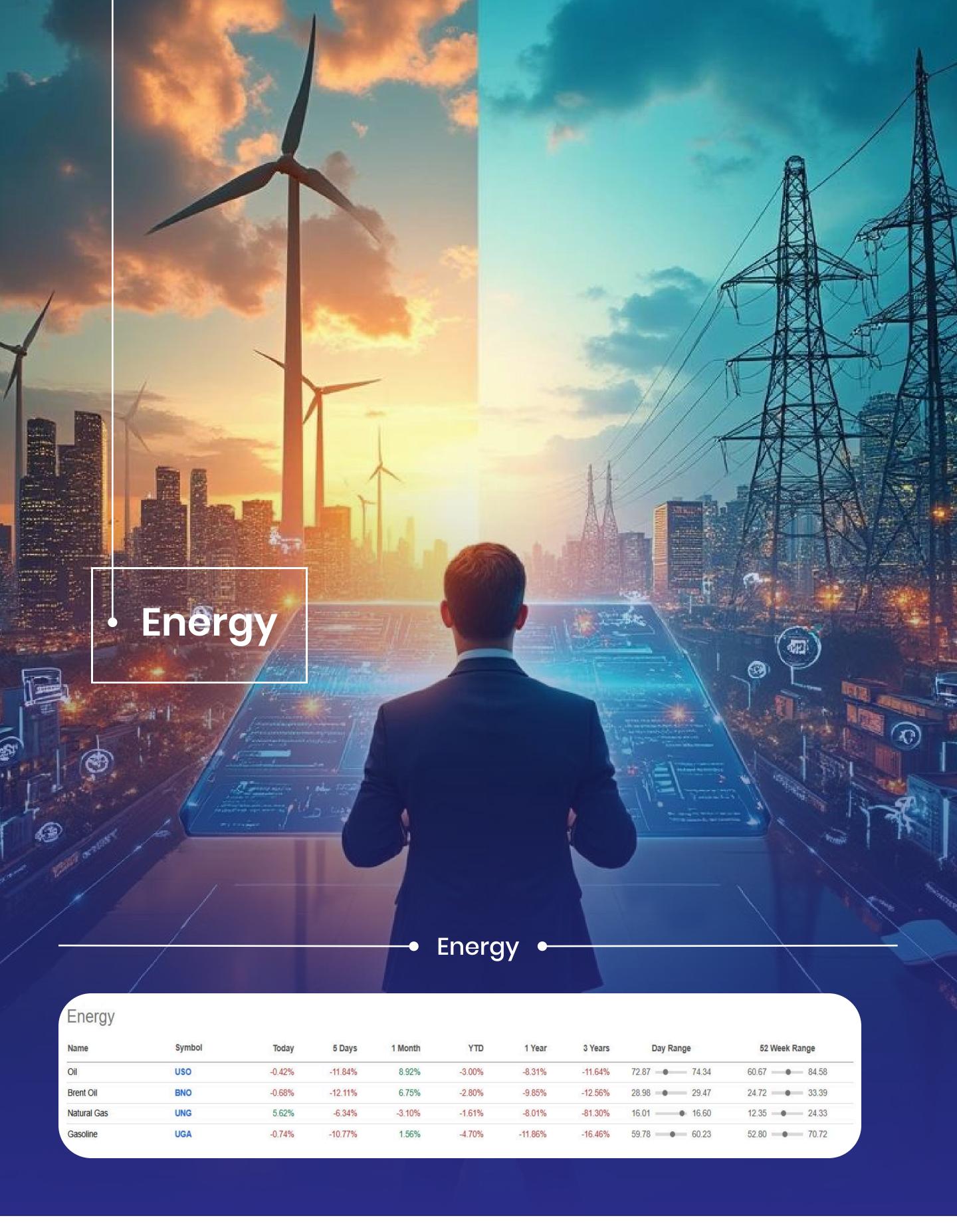
- Stablecoins: A Catalyst for Financial Evolution or Disruption?
- How Stablecoins Undermine Russian Sanctions Efforts
- Navigating the New Crypto Frontier: Opportunities and Risks
- US Pushes for Stablecoin Regulation Amidst Market Boom

#### **CHARTS**

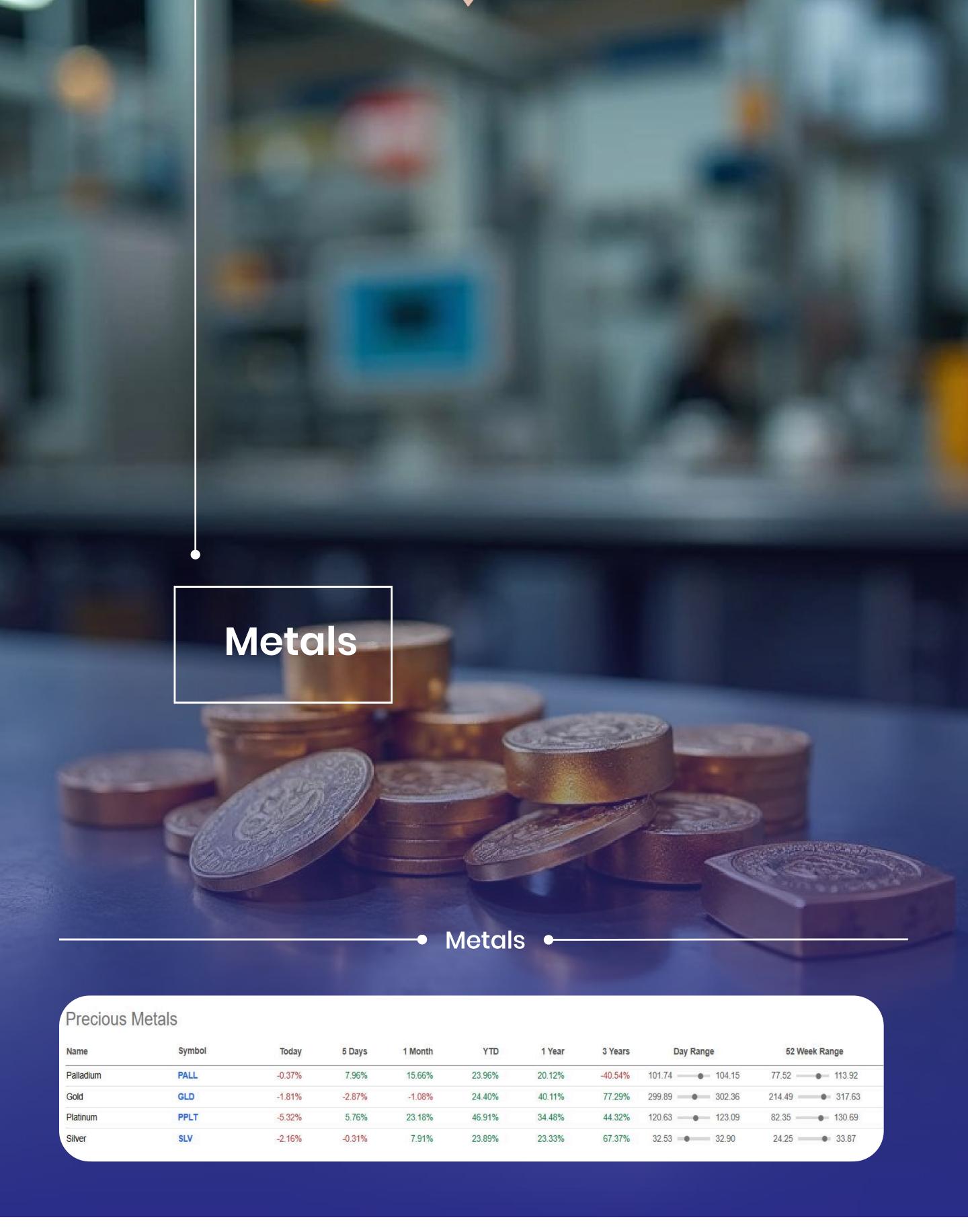
- Poorest Countries and Fragile States Are Increasingly Falling Behind
- The geopolitical risk premium is back in oil
- Margin Resilience Is Key



• The EURUSD pair surged to a nearly three-year high of 1.1754 in late June, buoyed by easing geopolitical tensions, a weakening U.S. Dollar, and mixed economic signals. After an initial dollar rally on safe-haven flows tied to U.S.-lran conflict, sentiment reversed when President Trump announced a ceasefire, sparking risk-on appetite and boosting the euro. Fed Chair Powell's cautious tone on interest rates and political pressure from Trump further eroded confidence in the dollar, despite a temporary lift from strong PCE inflation data. While U.S. economic data disappointed, Eurozone indicators were neutral, supporting a cautiously positive euro outlook. Key upcoming reports from both regions will shape the next move for EURUSD.



• Oil prices ended the week with slight gains after a sharp drop driven by OPEC+ plans to increase output and the announcement of a ceasefire between Israel and Iran, which eased geopolitical tensions and removed much of the risk premium. Brent and WTI fell about 12% over the week—their steepest weekly losses since March 2023—before recovering modestly, supported by strong inventory drawdowns, increased refining activity, and robust middle distillate demand. Additional support came from falling global fuel inventories and a surge in Chinese imports of Iranian oil. While the market remains wary of rising supply and uncertain demand, analysts see potential for a near-term rebound fueled by improving fundamentals.



• Gold experienced a volatile week, driven by shifting geopolitical tensions and mixed economic signals. The metal initially surged following U.S. airstrikes on Iranian nuclear sites, but optimism faded as strong U.S. PMI data boosted the dollar, sending Gold below \$3,300. A ceasefire between Iran and Israel further reduced safe-haven demand, while Fed Chair Powell's cautious stance on rate cuts supported the dollar and pressured Gold. Speculation around a potential Fed leadership change under Trump briefly weakened the USD, yet Gold continued to slide amid strong inflation data. Investors now await key U.S. economic reports, including jobs data and Powell's remarks at the ECB Forum, to gauge future Fed policy and Gold's direction.



Chip Autonomy: China's Next Semiconductor BattlegroundChina's latest \$48 billion "Big Fund III" signals a strategic pivot in its quest for chip independence, prioritizing direct investment in areas like lithography and EDA software currently dominated by Western firms. This move aims to build sustainable domestic capabilities and support China's burgeoning AI sector.

China's semiconductor development strategy is entering a new phase as it grapples with tightening U.S. restrictions and technological choke points. The third phase of the National Integrated Circuit Industry Investment Fund, known as Big Fund III, is now shifting focus to address critical weak points in the semiconductor supply chain, specifically lithography systems and semiconductor design software. These areas are currently dominated by foreign entities like ASML (Netherlands) and U.S. firms Cadence and Synopsys, which control vital tools for chip design and manufacturing.

Big Fund III represents a more strategic and targeted investment approach compared to its predecessors, which spread capital broadly across the industry. Despite raising only a portion of its intended 344 billion yuan (~\$48 billion) so far, insiders expect the shortfall to be temporary. This new direction aligns with President Xi Jinping's national priority to eliminate technological bottlenecks, especially as China's Al sector—featuring players like DeepSeek and Alibaba—seeks to rival global leaders such as OpenAl.

# • Big Fund III focuses on lithography and chip design software—China's key semiconductor weaknesses dominated by Western firms.

The fund is expected to hold investments for longer durations, indicating a patient capital model that could help build more sustainable domestic capabilities. It's also tasked with promoting industry consolidation, suggesting a wave of mergers or collaborations may follow. Three sub-funds have been created to identify investment targets across the supply chain, and if Big Fund III reaches its original scale, it would surpass both earlier phases in total capital.

While China's chip industry has made symbolic strides—such as Huawei's 2023 processor breakthrough—true technological independence remains elusive. The sector has been hit by both external pressures, like U.S.-led export bans, and internal issues, including corruption probes launched in 2022 after disappointing returns from early investments. Speculation is growing that Huawei may be developing its own lithography machines, and companies like Empyrean Technology represent China's best hope in the chip design software race.





With retail theft skyrocketing in both the UK and US, retailers are deploying sophisticated technology to combat the crisis. Platforms using machine learning to detect suspicious movements and AI surveillance are becoming crucial tools in their multi-layered approach to protecting both products and staff.

# The Shoplifting Surge: A Growing Crisis

Shoplifting is reaching unprecedented levels across the UK and US, driven by economic hardship and organized criminal activity. The case of a thief repeatedly robbing a Boots store in Glasgow illustrates the boldness and frequency of such crimes. In the UK, retail theft reached a record £2.2 billion in 2023, while the US saw a 14% rise in shoplifting across 25 major cities.

#### Technology-Driven Defense: Retailers Fight Back

Retailers are heavily investing in advanced security technologies to protect staff and inventory. UK retailers spent £1.8 billion on anti-theft tools in 2023. These include Al-powered checkouts, smart surveillance, and weighted shelves that track abnormal movements.

#### Digital Intelligence: The Rise of Security Platforms

New platforms like Auror and Veesion are transforming how retail crime is recorded and responded to. Auror, used by thousands of outlets worldwide, enables structured reporting and cross-store intelligence sharing. Veesion uses machine learning to detect suspicious body movements and can reduce shoplifting by up to 60%.

- Retail theft has surged globally, reaching record levels in the UK and rising sharply in the US, driven by organized crime, economic hardship, and insufficient policing.
- Retailers are investing heavily in advanced technologies—Al surveillance, facial recognition, smart checkouts, and real-time data platforms—to detect and prevent theft.

# Real-World Results: Measurable Gains and Cautionary Tales

Some companies like Sam's Club and Currys are seeing results from their multi-layered approaches. Currys, for example, reduced aggressive incidents by 58% through new store entry policies and shared intelligence. However, not all retailers report success—some discounters have seen no improvement in inventory loss.

# Privacy vs. Prevention: A Delicate Balance

The deployment of surveillance tools like facial recognition remains contentious. Companies like Corsight Al claim to have solved racial bias issues, while others like Black.ai intentionally avoid identifying individuals to protect privacy. Nevertheless, public acceptance of surveillance tends to grow over time.

### The Bigger Picture: Security Beyond Profit

Retailers repeatedly emphasize that security investments are often about people over products. Houghton of Holland & Barrett says, "I can replace products, but I can't replace a person." Companies also worry that heavy-handed security hurts customer experience, especially in high-volume locations.





A year after initial skepticism, the generative AI industry is seeing massive capital investment—with tech giants boosting capex by billions—yet the promised revenue transformation and "killer app" remain largely elusive, creating a stark gap between hype and profitability.

#### **Early Warnings and Investor Anxiety**

One year ago, a wave of skepticism hit the generative AI industry. Wall Street and Silicon Valley, swept up in AI excitement post-ChatGPT, began facing tough questions. Goldman Sachs' Jim Covello and Sequoia Capital both raised alarms about the lack of short-term financial return on AI investment. Companies were gearing up to spend billions—yet, revenue gains to match this spending were uncertain. This skepticism triggered a wave of investor anxiety, as the industry struggled to identify a "killer app" that could prove generative AI's commercial viability.

- Experts warned of low ROI on generative AI investments.
- Investors began questioning the sustainability of Al hype.

#### **Al Stocks Rally Despite Ongoing Doubts**

Despite lingering doubts, leading Al-related stocks have surged. Nvidia saw a \$1.5 trillion rebound in market value since April, and Microsoft added \$1 trillion to its market cap in less than three months. These rallies occurred even as low-cost competitors from China emerged. However, beneath the surface, the fundamental question persists: when will real, scalable revenue justify the capital invested?

- The hype remains, even without proportional revenue gains.
- China's DeepSeek raised competitive pressure, but didn't derail the rally.

#### **Capital Expenditures Skyrocket**

The AI boom is driving massive capital spending across tech giants. Alphabet, Amazon, Meta, and Microsoft collectively increased capex by \$95 billion in 2024 alone, with plans to raise it another \$75 billion. This growth trend is expected to continue, with Bank of America projecting AI-related data center spending to reach \$1 trillion annually by 2030, representing 83% of all infrastructure investment in tech.

# Revenue Gains Lag Far Behind Spending

While Al revenue is growing, it remains relatively small. Microsoft reported a 175% increase in Al-related revenue to \$13 billion, just 5% of its overall total. OpenAl doubled its subscription revenue to \$10 billion. These are impressive growth rates, but the scale is dwarfed by the capital being spent. A survey showed that only 3% of Al chatbot users are paying customers, underscoring the challenge of monetization.

- OpenAl and Microsoft have seen significant gains, but not at scale.
- Most users are still on free-tier services.

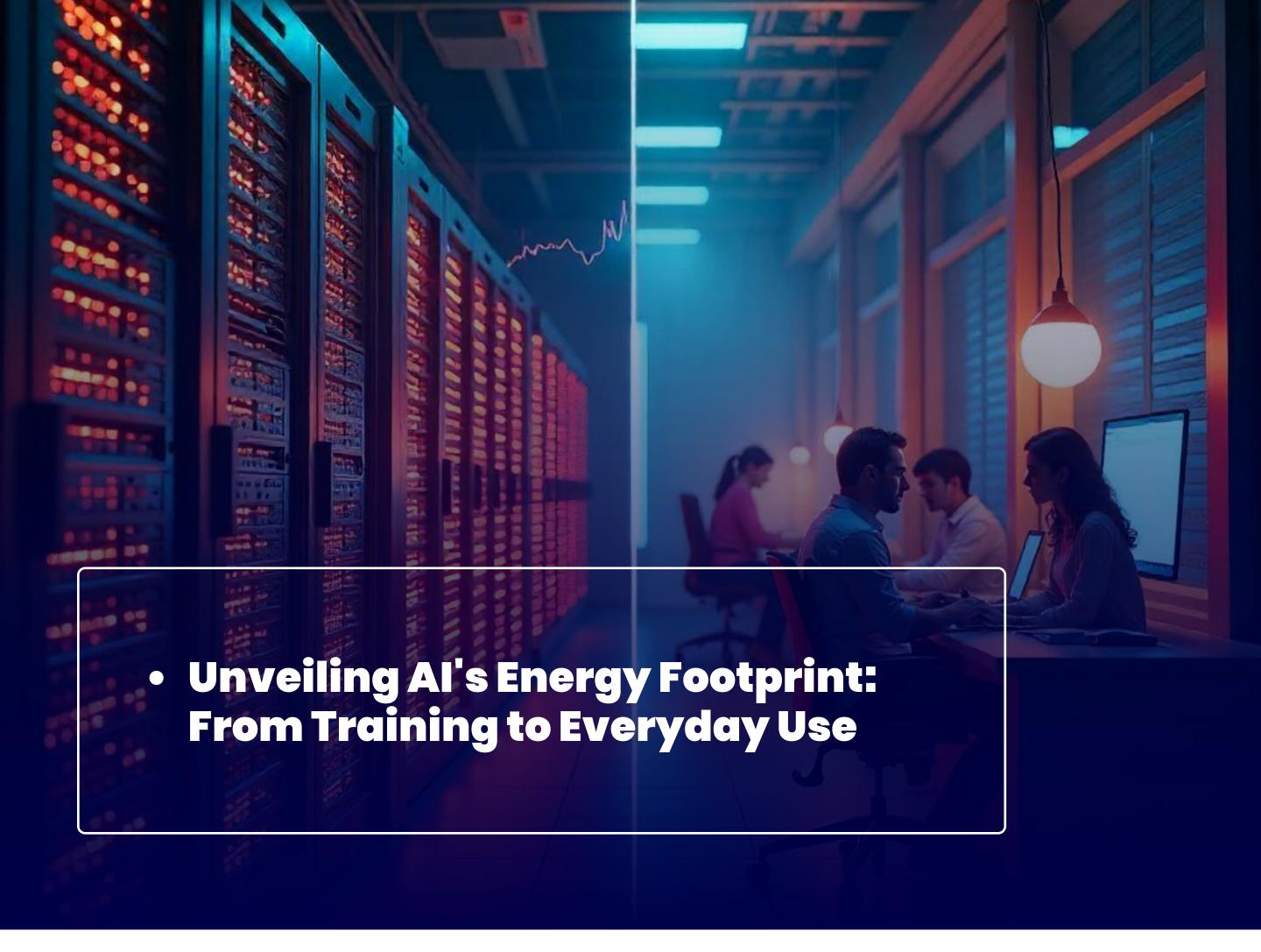
# Still Waiting for Enterprise Transformation

While consumer interest is high, businesses are still experimenting. Coding has emerged as a promising application, spawning new startups and tools, but the broader impact on enterprise software revenue is minimal so far. Al co-pilots and assistants haven't revolutionized workplace productivity. The current hope lies in "agents"—more autonomous tools that can perform full tasks or workflows—but these demand a fundamental rethinking of business operations.

#### The Gap Between Hype and Reality Remains Wide

The generative AI revolution still holds long-term promise, but in the short term, a wide gap remains between investment and return. The industry faces a tough challenge: convincing enterprise clients to scale beyond pilot projects and adopt AI in ways that transform their operations. While the vision of AI transforming the workplace endures, the current mismatch between capital spending and revenue generation remains stark.





From its centralized training to localized user inference, AI is a significant energy consumer. Despite claims of efficiency gains from new chips, the slow upgrade cycle of expensive hardware means that AI's expanding infrastructure could consume up to 12% of U.S. national electricity by 2028, urging greater transparency and conscious use.

Golden GPU-packed data centers, louder and hotter than their size suggests, are becoming the backbone of modern Al—but they come at a steep energy cost. Every time someone generates Al content, whether it's a simple email draft or a video of a cat flipping, that prompt activates powerful Nvidia GPUs in massive facilities. These requests, especially image and video generation, can consume far more energy than people realize.

Al tasks are processed in two stages: training, which usually happens at large centralized sites, and inference, where user requests are handled closer to their physical location for speed and efficiency. While OpenAl disclosed that a typical ChatGPT query consumes about 0.34 watt-hours, more complex tasks require much more. For example, generating a single Al image can use about 1.7 watt-hours, and a 6-second video can burn through 20 to 110 watt-hours—comparable to cooking a medium steak on an electric grill.

- Al video generation can use as much energy as cooking a steak—up to 110 watthours for a short clip.
- By 2028, Al data centers may consume up to 12% of U.S. electricity, according to federal estimates.
- Lack of transparency from major AI companies makes it hard to assess the true environmental impact of everyday AI use.

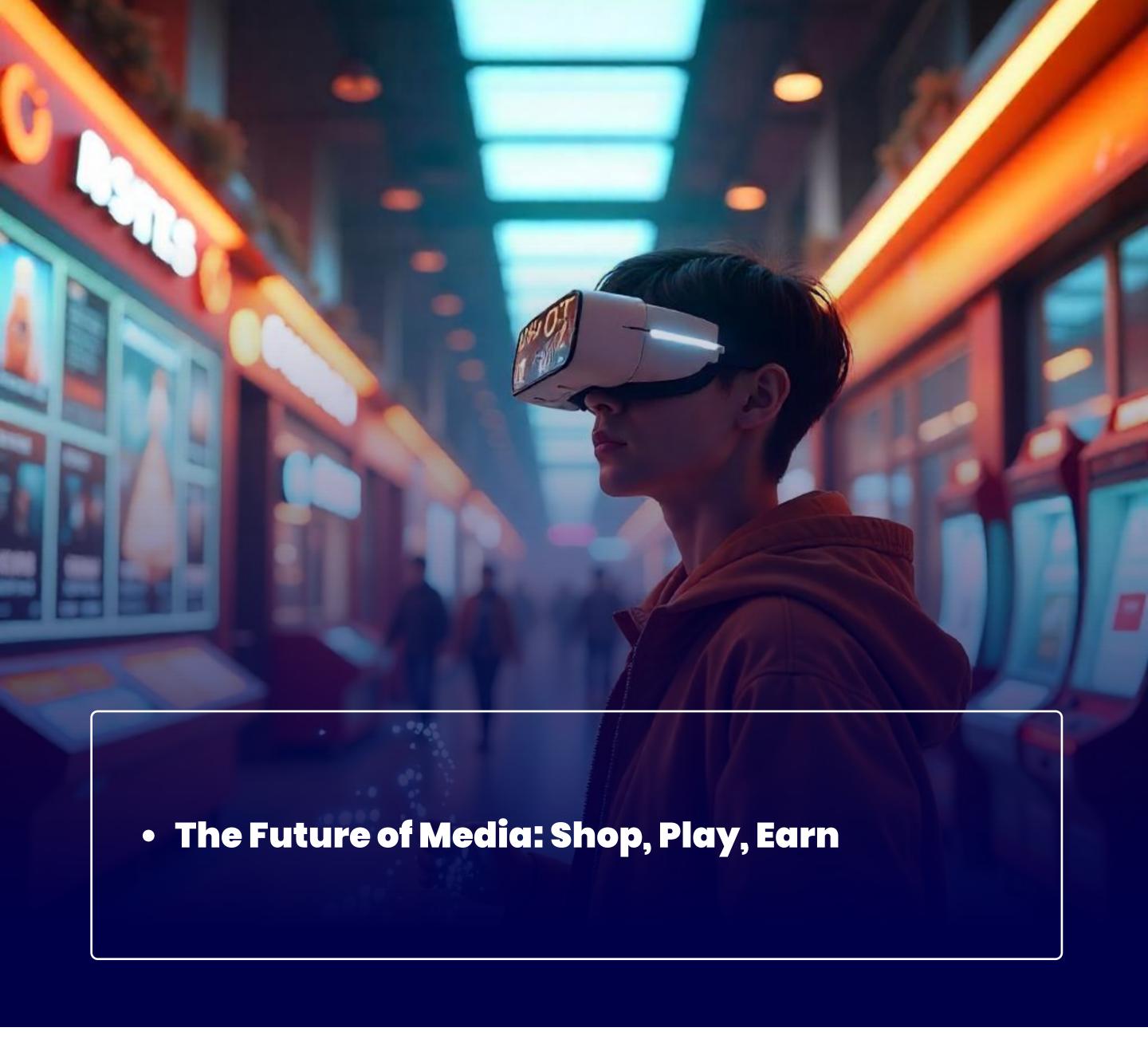
Despite growing awareness, most tech giants refuse to share detailed energy usage data, leaving independent researchers like Sasha Luccioni to fill in the gaps. Using open-source models and last-generation Nvidia chips, she's estimated the energy demands of various Al tasks, even building a leaderboard to compare model efficiency. Still, these are only approximations, as proprietary models and newer chips complicate direct comparisons.

While Nvidia's latest Blackwell Ultra chips boast massive efficiency gains—reportedly using 1/30th of the energy of previous versions for the same tasks—many data centers still run older hardware. The high cost of systems like Nvidia's H100 SuperPods, exceeding \$9 million, makes rapid upgrades unlikely.

As Al use explodes, the infrastructure required to support it is expanding just as fast. In Virginia's Ashburn tech corridor alone, new data centers are springing up rapidly. The U.S. Department of Energy estimates that by 2028, Al-driven data centers could consume up to 12% of national electricity output.

Even though some GPUs are driving critical projects—like drug discovery at Bristol Myers Squibb—many are used for entertainment and convenience. Researcher Sasha Luccioni urges both users and companies to think critically about energy consumption. Until companies become more transparent, energy-conscious Al use remains difficult—but increasingly necessary.





Forget passive viewing – a revolution in media is underway. With Al-powered platforms integrating seamless shopping directly into video and Web3 features like token rewards for engagement, content creators are finding new revenue streams while viewers become active participants, blurring the lines between entertainment and commerce.

#### From Cloud Commerce to Content Commerce

Drawing from experiences at AWS helping partners unlock the power of digital marketplaces, the author notes how reducing friction and delivering timely relevance transformed commerce. That same logic is now taking hold in media. The idea: if commerce can become seamless—almost invisible—it can scale massively. Now, platforms like Edge Video AI are applying this to entertainment, enabling viewers to shop directly from what they see on screen.

- · Commerce thrives when it's frictionless and contextual.
- Edge Video Al turns video into a live, interactive storefront.
- · Viewers can instantly shop outfits, props, or experiences from shows.

#### A New Business Model for Media

Traditional media business models—ads and subscriptions—are showing fatigue. Edge Video AI introduces a third option: transactional media. Its platform uses real-time AI to detect on-screen content and match it with relevant products, linked via a single persistent QR code. This enables a fluid, non-disruptive shopping experience directly within video content.

#### **Web3 Turns Viewers into Participants**

Edge goes a step further by integrating Web3 features like gamification and token rewards. Viewers can earn blockchain-based tokens (e.g., FAST) for engaging with content—watching, answering quizzes, or making purchases. These tokens unlock discounts, perks, or digital assets and are stored in wallets like MetaMask, giving users ownership and brands loyalty through participation, not interruption.

- Gamified engagement turns passive viewing into active participation.
- Tokens add an incentive layer to media interaction.

# Scalability and Industry Impact

Edge's Al doesn't just recognize content—it understands it. The platform is already active with over 21,000 vendors and 15 million products, live with broadcasters like Intravel and DangerTV. Because Edge overlays existing video without altering workflows, it can be deployed in hours. With revenue shares up to 55%, it offers content creators a scalable, sustainable revenue model beyond ads and paywalls.

- No disruption to production workflows—just a simple overlay.
- High vendor and product integration means vast monetization potential.
- Media partners see strong revenue shares and data compliance built in.

# Opportunities—and Trade-offs

As powerful as this model is, it comes with risks. The line between storytelling and selling could blur, risking commercial saturation and diminishing escapism. Al's growing influence on what we see could provoke consumption fatigue. The challenge lies in balancing utility with authenticity—ensuring technology enhances, not erodes, the media experience. Still, the shift toward Al-powered, intention-based commerce feels like the future.





Iran's recent missile strikes on a U.S. air base in Qatar, surprisingly, triggered a sharp sell-off in the oil market instead of a price hike. This counterintuitive reaction reveals how sophisticated oil traders, leveraging open-source intelligence like satellite imagery, are now interpreting geopolitical events as de-escalatory signals rather than supply threats.

The recent missile strikes by Iran on a US air base in Qatar caused a surprising and rapid reaction in the oil market—not a price spike, as might be expected in times of geopolitical unrest, but a sharp sell-off. Within minutes of the first launch, Brent crude began to fall, eventually plunging over 7% in a matter of hours. This reaction revealed that oil traders had already anticipated the symbolic nature of the attack, interpreting it as a de-escalatory move rather than a prelude to broader conflict. Key intelligence, such as prior satellite imagery showing an evacuated US base, reinforced this view and helped traders respond decisively and swiftly.

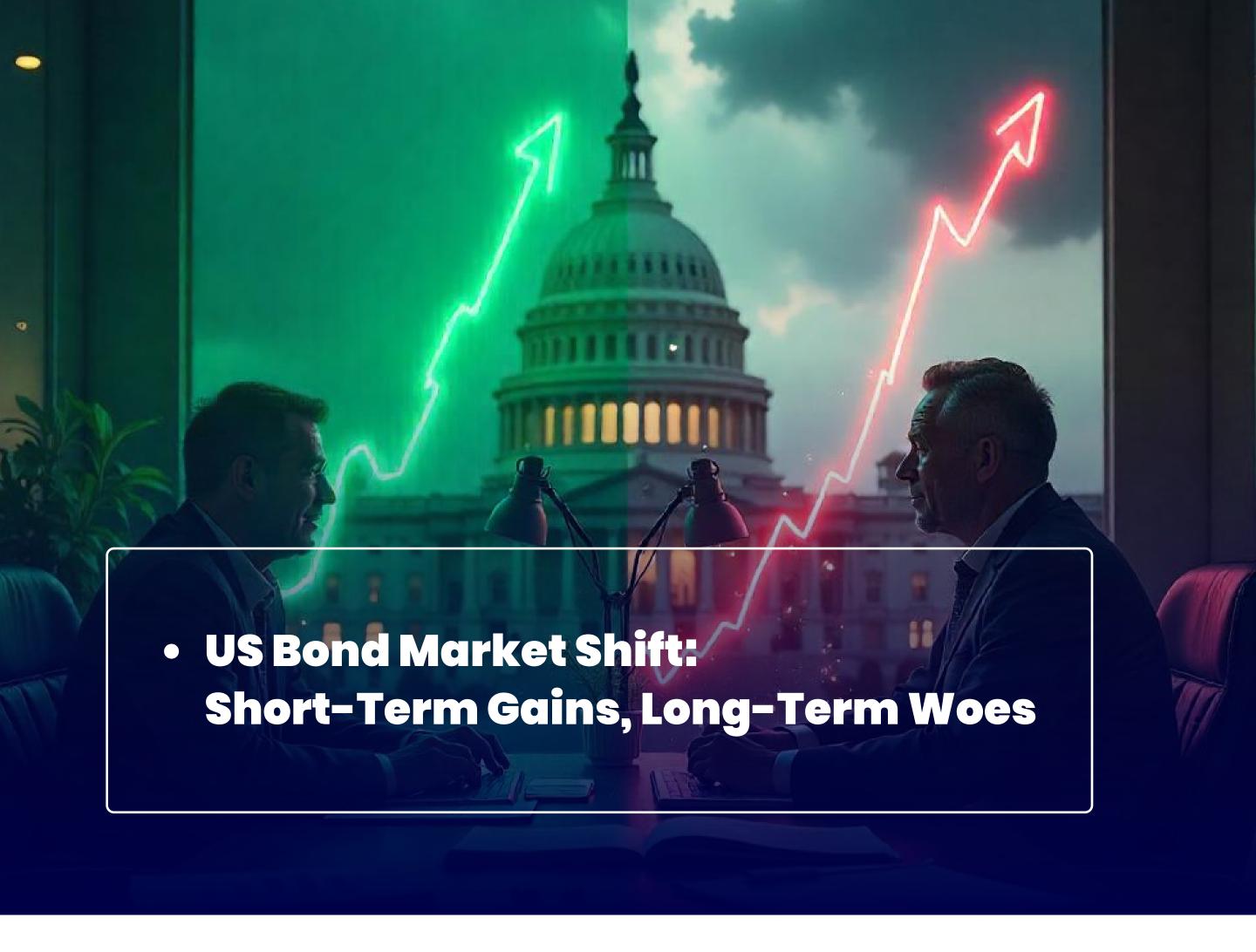
Traders have increasingly relied on open-source intelligence and social media to make real-time decisions. Tools such as satellite images and Twitter feeds have become critical for understanding developments faster than traditional news channels. For example, before the missile strikes, traders had already seen signs of a US drawdown at the Al Udeid air base, indicating a forewarning and minimal threat. This access to near-instantaneous data enables traders to distinguish between posturing and genuine escalation, thereby shaping their risk exposure accurately.

- Traders used satellite images and social media intelligence to assess risk.
- The symbolic nature of Iran's strike led to a swift sell-off, not a surge in prices.

The market's behavior in this incident mirrors reactions to earlier events in the Israel-Iran conflict. Price spikes after initial military moves were quickly reversed when it became clear there would be no disruption to oil flows, particularly through the Strait of Hormuz. That narrow passageway remains the ultimate risk indicator for traders, and as long as it stays safe, oil continues to flow uninterrupted. This underscores a broader market pattern: traders now sell into spikes rather than buy, understanding that geopolitical tension doesn't necessarily translate into supply shocks.

The structural fundamentals of the global oil market also weigh heavily on price trends. Global supply is strong, bolstered by OPEC+ production and record US shale output. Analysts expect an oversupplied market by year-end, potentially pushing oil down to \\$50–60 a barrel. Even the US government's reluctance to release emergency reserves amid recent tensions reflects confidence in the market's stability and resilience. The perceived transience of the Iran-Israel conflict compared to longer-term disruptions, like the Ukraine war, also deters large speculative bets on price hikes.

Finally, derivatives trading—especially options—has amplified price moves. Many producers bought "put" options in anticipation of falling prices. As prices dropped, dealers were forced to sell futures to hedge their positions, triggering further downward pressure. This feedback loop added intensity to the sell-off, reflecting how financial instruments can accelerate market momentum beyond fundamental supply-demand changes. The result was a dramatic, fast-paced decline that underscored just how much the oil market now hinges on perception, positioning, and real-time intelligence rather than raw headlines.



A significant shift is underway in the U.S. bond market: investors are rapidly exiting long-term funds, pouring over \$39 billion into short-term alternatives this quarter. Concerns over fiscal sustainability and persistent inflation are driving this exodus from longer-dated debt.

Investors are rapidly withdrawing money from long-term U.S. bond funds, marking the sharpest exodus since the early days of the Covid-19 pandemic in 2020. So far in the second quarter of 2025, nearly \$11 billion has been pulled from funds that hold long-dated U.S. government and corporate bonds. This shift is especially stark considering that the previous 12 quarters had seen average inflows of about \$20 billion, underscoring a significant change in investor sentiment.

At the core of this trend lies increasing anxiety about the U.S. government's fiscal direction. Factors like rising federal debt and inflationary pressure—exacerbated by protectionist tariffs and expansive tax policies under President Trump—are making long-term bonds less attractive. These concerns are driving investors away from the "long end" of the yield curve, where bonds are most sensitive to inflation. Experts from DoubleLine, Goldman Sachs, and PGIM have pointed to a volatile mix of heavy government bond issuance, above–target inflation, and fiscal sustainability fears as key drivers of the sell-off.

 Nearly \$11B in outflows from long-term U.S. bond funds this quarter — the worst since early 2020. Meanwhile, investors have flocked to short-term U.S. bond funds, which have drawn in over \$39 billion this quarter. These shorter-dated bonds are currently offering attractive yields due to elevated interest rates held steady by the Federal Reserve. Unlike long-term bonds, short-term debt instruments are less vulnerable to inflation and interest rate volatility, making them more appealing in the current environment.

- Rising concerns over U.S. fiscal sustainability and inflation are driving investors toward short-term debt.
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While some market participants believe this is not the end of the U.S. Treasury market's central role in global finance, they acknowledge that bond buyers may begin demanding higher yields for long-term debt. This reflects a growing wariness—"tremors" rather than an "earthquake"—as investors reassess the risks of holding long-dated U.S. government bonds.





The U.S. economy and financial markets are demonstrating remarkable strength, shrugging off a new Middle East conflict with minimal disruption to bullish momentum. This resilience, evident since mid-May with rising stocks and bonds, is largely driven by a robust tech sector and significant Al investments.

The U.S. economy and financial markets are once again showing impressive resilience in the face of global and domestic shocks. Despite the outbreak of a new conflict in the Middle East, U.S. equities remained largely unfazed. The S&P 500 saw only minor fluctuations — with just two days showing movements slightly over 1% — around the onset and resolution of the conflict. From a broader perspective, this event barely disrupted the bullish momentum in the stock market that has been building steadily throughout the year.

This period of economic stability and market strength appears to have begun in mid-May. Since then, Treasury yields have fallen — indicating rising bond prices — while equities have continued to climb. This concurrent rise in both stocks and bonds marks the first sustained positive stock-bond correlation since February. Meanwhile, the U.S. dollar, which had been strengthening earlier in the year, began to weaken again, returning to its typical inverse relationship with Treasury yields.

The precise catalyst for this shift is unclear, though factors like the U.S.-China trade truce and policy discussions about bank leverage ratios may have contributed. More importantly, what has become evident is the underlying strength of the U.S. economy. Despite aggressive rate hikes in 2022–23, the feared economic slowdown never materialized. Consumer sentiment dipped after political and economic noise like Trump's tariff threats, yet U.S. companies — especially in tech — have continued to thrive, bolstered by ongoing investment in AI infrastructure and innovation.

Investors have returned to familiar territory by doubling down on Big Tech. Since May 21, sectors like information technology and communications have led the market, while more defensive sectors like consumer staples and utilities have underperformed. Notably, just six companies — Nvidia, Microsoft, Meta, Oracle, Broadcom, and Amazon — accounted for more than half of the S&P 500's 4% gain during this period.

Investor sentiment is also recovering. The American Association of Individual Investors (AAII) survey shows a rebound from April's pessimism, indicating that the so-called "hated bull market" may finally be winning over skeptics. While some see this as a potential warning sign — that markets climb a "wall of worry" and may be vulnerable after the climb — others interpret it more optimistically. The takeaway: the U.S. economy has proven highly durable, and this resilience may well justify the high valuations currently seen in American assets.





Despite massive capital expenditures and record valuations for companies like OpenAI and Perplexity, many generative AI startups are struggling to translate hype into sustainable revenue. This "vibe valuing" approach, where potential outweighs current returns, suggests a looming correction as the market awaits clear enterprise transformation.

# From Vibe Coding to Vibe Valuing

In Silicon Valley, "vibe coding"—the ability to create software rapidly with generative Al—is being matched by a new phenomenon: "vibe valuing." This refers to venture capitalists assigning massive valuations to Al startups with little focus on traditional metrics like revenue or customer growth. The most striking case is Mira Murati's Thinking Machines Lab, which raised \$2 billion at a \$10 billion valuation without much of a product or strategy.

#### **ARR is Becoming ERR: Metrics in Flux**

The once-reliable Annual Recurring Revenue (ARR) metric is being undermined in the AI startup space. Tools like Anysphere's Cursor and Windsurf have shown meteoric ARR increases—but these gains may not be sticky. Venture capitalist Jamin Ball jokes that the metric is now better described as "Experimental Run Rate (ERR)" due to high customer churn and short-lived trials.

#### Fragile Growth in a Crowded Field

The AI startup ecosystem is growing explosively—but so is competition. Many startups rely on infrastructure from big foundational model labs like OpenAI or Anthropic, which are themselves launching competing apps. Thanks to generative AI tools, barriers to entry have collapsed, enabling tiny teams to rapidly launch AI-driven products.

- Startups are vulnerable to being undercut by the very platforms they build on.
- Increased accessibility of AI tools has led to a flood of new entrants.

# Sky-High Valuations, Deep Cash Burns

Al startups like Perplexity—with \$34 million in revenue and \$65 million in cash burn—are being valued at over \$14 billion, a revenue multiple of more than 400x. Similarly, OpenAl, which lost about \$5 billion last year, is still being valued at \$300 billion. These numbers reflect investors' conviction that the Al market will grow exponentially, and that early positioning is worth the current losses.

• Investor enthusiasm is driven more by potential than by current returns.

#### The Vibes Won't Last Forever

Some VCs still cling to traditional metrics and express caution. Umesh Padval of Thomvest remarks that he still needs standard financial data to feel confident. Despite the current valuation frenzy, a correction may come, and old-school investment logic could return to favor.





Illegal gold mining has eclipsed cocaine as the primary revenue source for criminal organizations in Latin America, transforming the region's illicit landscape. Amid soaring gold prices, gangs are diversifying into mining, exploiting its money-laundering potential and devastating the Amazon with mercury pollution and deforestation.

The recent violence in Peru's mining regions highlights a growing crisis tied to illegal gold mining and organized crime across Latin America. In Trujillo, miners from the mountainous province of Pataz protested a government-imposed mining ban following the murder of 13 guards. The protesters, many of whom insist they are legitimate workers, demanded the right to return to work. Yet their pleas occur against a backdrop of escalating violence, fueled by the booming price of gold and deepening entanglement between mining and drug trafficking operations.

Peru, the largest gold producer in Latin America, is at the center of this crisis. The price of gold—driven up by financial instability, geopolitical uncertainty, and rising Asian demand—has reached near-record highs around \$3,500 an ounce. At the same time, coca cultivation has surged in Bolivia, Colombia, and Peru. As cocaine profits come under pressure, gangs are diversifying into illegal gold, which provides a convenient means of laundering money and uses much of the same infrastructure as drug trafficking. Today, criminal groups in Colombia and Peru are thought to earn more from gold than narcotics.

This convergence has led to brutal turf wars and state destabilization. In Colombia, powerful gangs like the Gulf Clan are stealing millions in gold and clashing with the military, while in Venezuela, the regime of Nicolás Maduro leverages alliances with mining mafias for political survival. Meanwhile, Ecuador, Bolivia, and Brazil are also seeing intensifying conflicts. Even in areas without overt violence, illegal mining is ravaging the Amazon: forests are being destroyed at an accelerating rate, and rivers are poisoned by mercury used in the extraction process.

- Illegal gold mining now rivals or surpasses cocaine as a revenue source for Latin American gangs.
- Criminal infiltration into mining is fueling violence, environmental devastation, and political corruption across the region.
- Regulatory efforts like Peru's REINFO have largely failed, inadvertently sheltering illegal operations instead of eliminating them.

Attempts to regulate the sector have largely failed. Peru's REINFO registry, meant to formalize unlicensed miners, has become a loophole exploited by criminals. With only a tiny fraction of registrants ever obtaining full permits, the program inadvertently provides cover for illegal operations. Political corruption and resistance from vested interests further cripple reform. In Bolivia, state-backed cooperatives often violate environmental rules with impunity, while in Peru, even Congress includes allies of illegal mining.

Former officials and analysts warn of the broader implications. Some fear a return to 1980s-style lawlessness, where state authority crumbled in remote areas. Experts argue that meaningful change will require more than crackdowns—it demands serious investment in regulation and the political will to confront entrenched criminal networks. Otherwise, Latin America will continue to suffer the social, environmental, and political costs of the global hunger for gold.





The rise of stablecoins poses a fundamental question: are they the next step in money's evolution, or a threat to monetary stability? While the BIS argues they fail the test of "singleness of value," historical parallels and new regulations like the U.S. Genius Act offer a more nuanced perspective on their future role.

Money is both an abstract concept and a social tool — a medium that captures trust, facilitates value exchange, and reflects hierarchies of power. It has evolved from primitive forms like giant stones to today's digital networks. The emergence of stablecoins — digital assets pegged to fiat currencies like the US dollar — raises the question of whether they represent the next evolutionary step in money. The Bank for International Settlements (BIS) emphatically disagrees, arguing that stablecoins fail fundamental tests of "moneyness," particularly the singleness of value, or universal acceptability without the need for conversion.

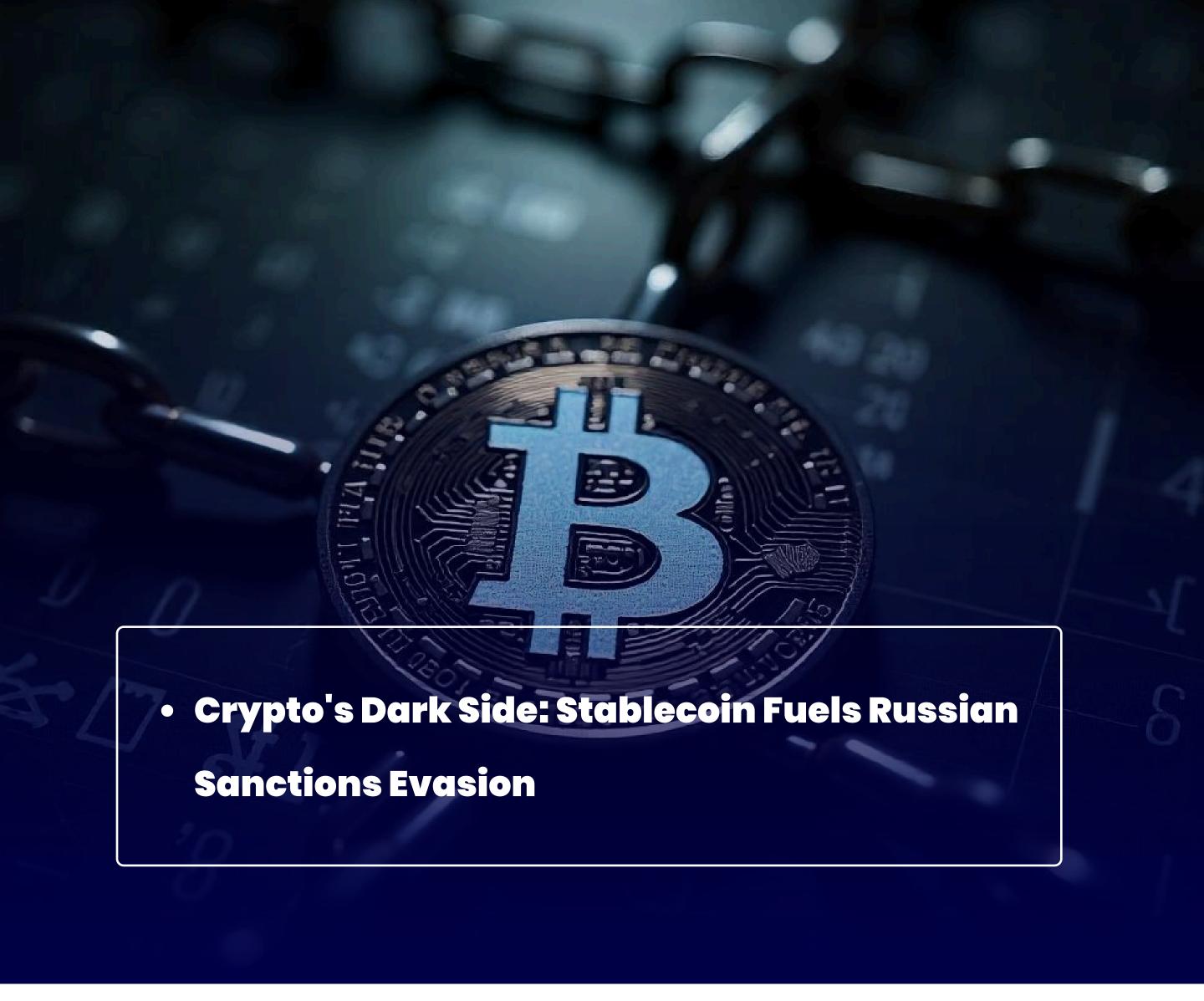
Stablecoins, unlike true fiat currencies, must be exchanged for dollars to be used in most transactions. This undermines their role as universal tender and makes them too unstable for central bankers' comfort. The BIS warns that if the singularity of money breaks down, the monetary system could become fragmented and dysfunctional — as it did during the U.S. Free Banking Era (1837–1864), when hundreds of private banks issued their own fluctuating notes. Though these notes were technically collateralized, they often traded at significant discounts, and bank failures were common.

- Stablecoins fall short of being true money due to their lack of universal acceptability and reliance on conversion to fiat currencies.
- Historical parallels with the U.S. Free Banking Era raise concerns about financial instability, though today's regulatory frameworks are much more robust.
- Stablecoins are useful financial instruments, even if not "money" in the classical sense they facilitate crypto transactions, reduce fees, and enable both legitimate and illicit financial activity.

A historical echo may be found in today's Genius Act, recently passed by the U.S. Senate. It allows states to regulate stablecoins under strict collateralization requirements — specifically one-to-one reserves held in instruments akin to U.S. Treasury bills. While this resembles free banking rules in some respects, today's oversight and asset standards are stronger. As a result, BIS's concern about stablecoins leading to another era of wild monetary instability might be overstated, especially compared to the 19th century experience.

Still, central banks have valid reasons for their alarm. Stablecoins are not money in the full social and economic sense. Yet they are financial assets with real-world utility: they facilitate crypto trading, potentially undercut high card transaction fees, and serve as tools in cross-border finance — legal or otherwise. Despite their shortcomings, stablecoins are likely here to stay, performing useful functions even if they never achieve full monetary status.





A mysterious new stablecoin, A7A5, is enabling billions in cross-border payments for Russia, seemingly designed to evade Western sanctions. Linked to a sanctioned Russian bank and a Moldovan oligarch, its rapid rise, coupled with the shutdown of a prominent crypto exchange, highlights cryptocurrency's growing role in illicit financial flows.

#### A New Sanctions-Evading Stablecoin Gains Momentum

A new cryptocurrency token—A7A5—launched in February, is facilitating cross-border payments for Russia amid Western sanctions. Created by a fugitive Moldovan oligarch and a Russian defence-sector bank, the token has already moved \$9.3bn on a newly launched crypto exchange in Kyrgyzstan.

#### A Stablecoin Pegged to the Russian Rouble

Billed as the first rouble-pegged stablecoin, A7A5 was launched in Kyrgyzstan and operates on a dedicated exchange called Grinex. The exchange trades exclusively in A7A5, Russian roubles, and a dollar-pegged stablecoin. Blockchain analysis shows that \$9.3bn worth of A7A5 has moved in and out of wallets tied to Grinex in just four months.

A7A5 claims each token is backed by rouble deposits in Promsvyazbank, a Russian bank under US, UK, and EU sanctions. With 12 billion tokens in circulation, worth \$156 million, usage is concentrated among a small group of users, often transferring sums that exceed the total supply—suggesting rapid token recycling.

# Ties to Political Influence Campaigns

According to the Centre for Information Resilience (CIR), A7A5 may also be tied to Russian political influence operations abroad. The token's founding company, A7, is owned by Ilan Şor, a Moldovan businessman convicted of a \$1bn bank fraud who fled to Russia and later gained citizenship. CIR found domain overlaps between A7/A7A5 and Moldovan influence campaign infrastructure.

While A7A5 initially worked with A7, the token issuer claims to have completely separated from Şor's company in May due to "different visions." Şor did not respond to press inquiries. Despite distancing claims, the project's inception remains intertwined with actors under sanctions and political scrutiny.

#### Cryptocurrency as a Tool to Evade Sanctions

The token's creation comes amid rising sanctions enforcement and the exclusion of Russian banks from SWIFT. A7A5's director, Leonid Shumakov, has described Kyrgyzstan as a "friendly jurisdiction" that aids Russia in navigating financial restrictions. Russian users purchase A7A5 via the Tron or Ethereum blockchains, then convert it into Tether's USDT, allowing cross-border withdrawal in preferred currencies. A7A5 promotes itself as a "safe bridge" to stable USDT for importers, claiming every token is backed by a rouble deposit verified by a Kyrgyz auditor.

#### The Collapse of Garantex and Rise of Grinex

A7A5's rapid rise follows the March 2025 shutdown of Garantex, Russia's top crypto exchange, by US authorities. Tether froze \$23mn in Garantex's wallets. In the lead-up to the shutdown, millions in USDT were shifted into A7A5, some of which later flowed into Grinex—a new Kyrgyz-based exchange launched the same week as A7A5.

While CIR and blockchain analysts like Elliptic suggest Grinex is a direct successor to Garantex, possibly operated by the same actors, Grinex denies any affiliation. It claims to have merely capitalized on Garantex's closure by onboarding "non-toxic" users with clean transaction histories.

Both A7A5 and Grinex claim independence from one another, stating that token listings occurred based on user demand. Yet blockchain data reviewed by the FT shows 124 wallets moving \$9.3bn in A7A5 tokens, with transactions mostly during Moscow office hours, suggesting a concentrated and coordinated user base.



With Bitcoin at record highs and institutional money pouring into crypto, the digital asset landscape is more dynamic than ever. However, navigating nearly 17 million tokens and the risks of self-managed security and diverse exchange rules demands caution, reminding investors that despite growing acceptance, skepticism remains a prudent approach.

Bitcoin has surged to record highs, driven by renewed investor optimism, political tailwinds from Donald Trump's campaign, and regulatory shifts. After gaining over 50% since Trump's election win, it has outpaced gold and US stocks, showing remarkable resilience even amid geopolitical tensions. Once derided as a "scam" by Trump, the cryptocurrency now enjoys his vocal support and is positioned as a symbol of financial innovation under his potential future administration. This marks a stunning reversal from its 2022 crash following the FTX debacle, which had briefly plunged bitcoin to \$16,000.

• Bitcoin has returned to record highs due to political support from Trump, institutional ETF launches, and broader regulatory shifts toward acceptance.

Institutional acceptance is growing, with more than \$11 billion flowing into cryptolinked funds this year, pushing global crypto assets under management to \$176 billion. The launch of spot bitcoin ETFs by major players like BlackRock and Fidelity in early 2024 played a significant role in this resurgence. Alongside bitcoin, other tokens like ether and stablecoins are gaining traction. Ether, which powers the Ethereum network, provides programmable finance tools, while stablecoins are increasingly seen as viable cross-border payment alternatives and are attracting regulatory attention in the US and UK.

• The crypto ecosystem remains complex and fragmented, with millions of tokens, the rise of stablecoins and memecoins, and increased retail uncertainty.

Despite the optimism, the cryptocurrency landscape remains fragmented and daunting. With nearly 17 million listed tokens (and more unofficially), investors face a complex choice. While institutional appetite is returning, retail participation remains subdued compared to its 2021 peak. Analysts recommend allocating 4–5% of a portfolio to cryptocurrencies, treating bitcoin as the core and others like venture capital bets. The rise of memecoins, such as those issued by Trump and Melania, reflects both the cultural penetration and the speculative nature of this asset class.

 Regulation and investor protection are evolving, but high volatility, security risks, and scams still make cryptocurrencies a high-risk asset class.

Buying and holding crypto is easier than ever via 24/7 exchanges, but comes with new risks. Investors must manage storage, security, and regulation challenges themselves. Offline wallets are safer but costly. Online exchanges are convenient yet vulnerable to hacks, with Bybit recently losing \$1.5 billion. Differences in exchange rules, fees, and margin mechanisms add another layer of risk. Regulatory bodies are slowly softening their stance, but continue to warn consumers of the high volatility and potential for total loss — a prudent reminder that skepticism, while decreasing, remains necessary.





The U.S. Senate has passed the GENIUS Act, a landmark effort to regulate stablecoins, a market that has surged to \$261 billion and now processes more payments than Mastercard. However, the legislation enters a complex, global arena where new, diverse stablecoins are rapidly emerging beyond traditional dollar pegs.

The Senate's newly passed GENIUS Act marks the United States' first concerted attempt to put stablecoins under a single, nationwide rule set and to pin down what, exactly, counts as a "digital dollar." That urgency reflects the market's breakneck ascent: the stablecoin sector has ballooned from \\$5 billion in 2020 to roughly \\$261 billion today, with Tether alone worth \\$155 billion—comparable to Hungary's entire GDP. In 2024, dollar–pegged tokens processed \\$27.6 trillion in payments, eclipsing Mastercard's network volume, and their issuers, by parking reserves in U.S. Treasuries, are now minting profits on par with Wall Street's largest asset managers.

Much of this growth is happening far from U.S. borders. In Latin America, 71 percent of financial-services firms already route cross-border payments through stablecoins, moving an estimated \\$94 billion in genuine settlement volume—about \\$3 billion a month just in B2B flows. Momentum accelerated after the SEC's April 2025 guidance clarified that fully backed stablecoins are not securities: European and Asian banks quickly launched or partnered on their own tokens, aiming to slash remittance fees, deliver Treasury-bill-like yields, and settle transactions in seconds rather than days. Analysts expect "hundreds, if not thousands," of new stablecoins to hit the market by year-end.

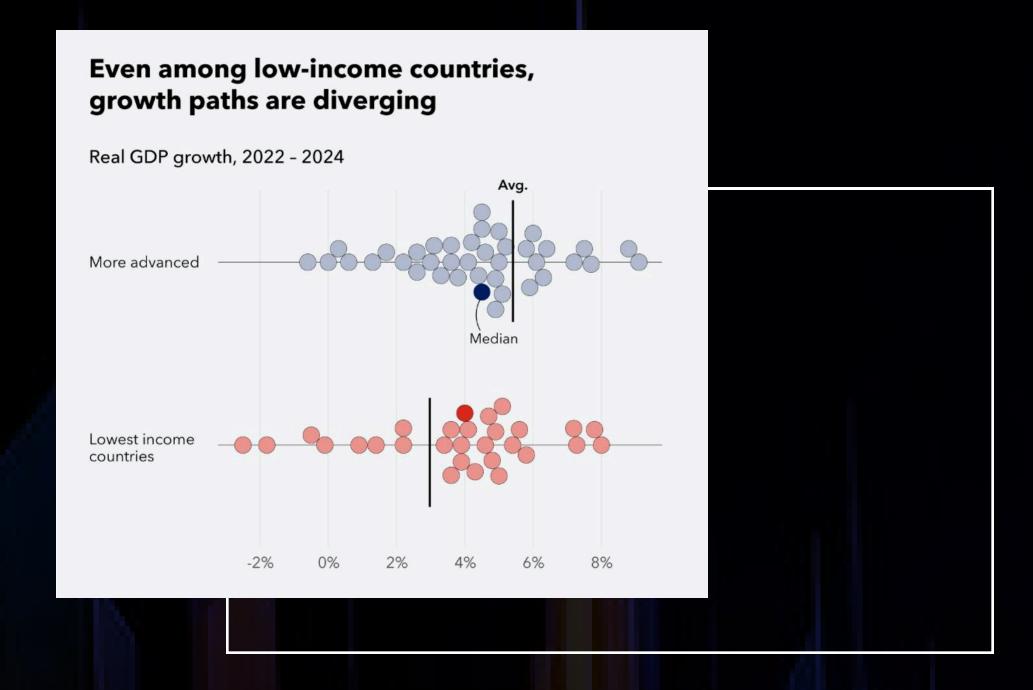
Yet the coming wave will look nothing like today's plain-vanilla USDC or USDT. Yield-bearing coins such as Figure's SEC-registered YLDS already pay 3.85 percent, while MakerDAO's upcoming USDS can be collateralized with everything from Ethereum to tokenized Treasuries. Other teams are experimenting with gold-backed tokens, carbon-credit anchors, synthetic baskets of emerging-market currencies, and stablecoins that automatically rotate between asset classes for higher returns. In this environment, the "most stable" token may matter less than the one that offers users the richest menu of built-in financial utilities.

That complexity turns regulation into a global game of whack-a-mole. A single token might be issued in Singapore, tied to London real estate, traded on an exchange in the Caymans, and held by a user in Lagos—so whose jurisdiction applies when it implodes? The EU's heavy-handed MiCA rules have merely pushed Europeans into riskier DeFi work-arounds; the United States wants oversight, while Tether operates from the British Virgin Islands; and Asian regulators are carving out their own niches. Regulatory arbitrage is no longer a loophole—it is a business model.

For millions in high-inflation or capital-controlled economies, these unstable, yield-chasing coins are still a lifeline—and that paradox may be the point. Most of the thousand-plus tokens slated for launch this year will likely fail, but the survivors could redefine money's speed, reach, and functionality in a fraction of the time it took traditional finance to erect its safety nets. The GENIUS Act, attempting to freeze a definition of "digital dollar" in mid-2025, is already chasing a moving target.



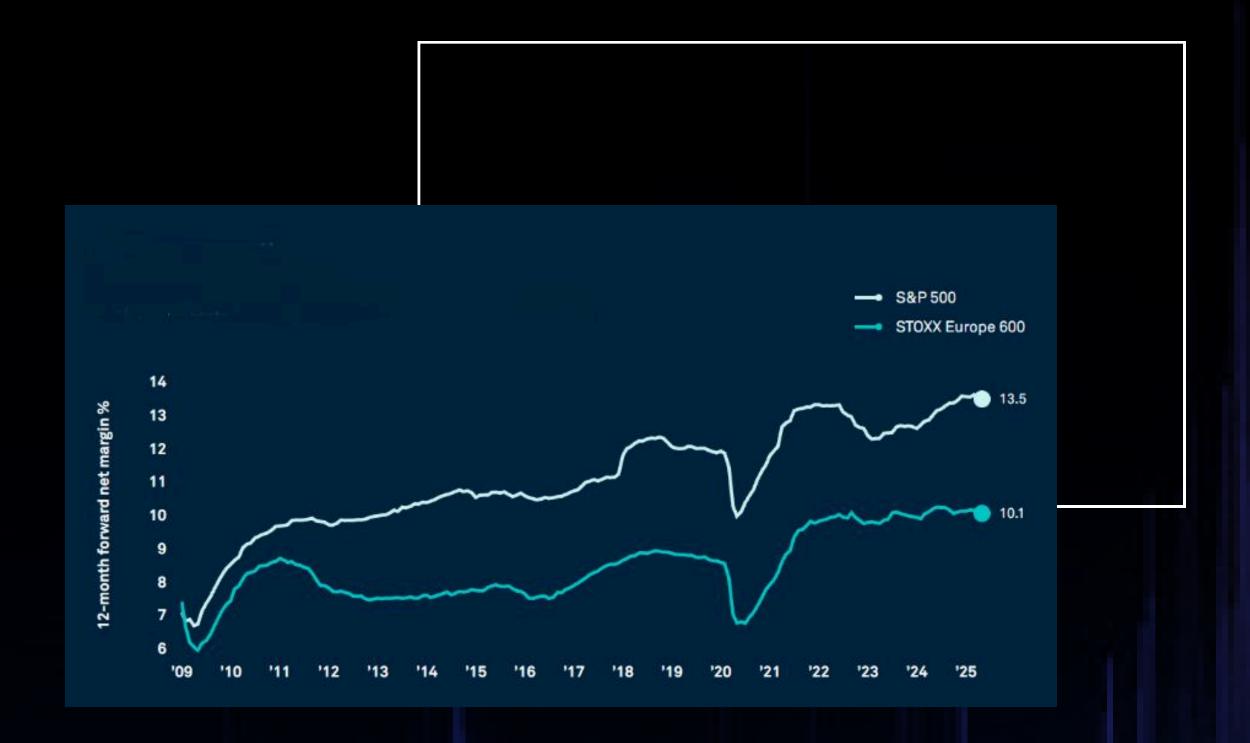
# **CHARTS**



- Low-income nations and weak, war-torn governments have been hardest hit by the major shocks that have rocked the world economy during the last five years.
- Low-income nations' post-pandemic recovery has trailed behind emerging market economies, which started to recover in 2021, albeit with notable distinctions.
- 38 of the more developed low-income nations—those with greater incomes, a variety of exports, and access to international financial markets—grew by an average of 5.3% between 2022 and 2024. These nations are among the 70 eligible for IMF concessional lending (the Poverty Reduction and Growth Trust). that is comparable to 3.3% for the group's lowest 32. For fragile and war states, it was only 2.6%.



- Oil prices have generally declined thus far in 2025, but escalating conflict has led to a reversal
- Oil now has a geopolitical premium due to the ongoing conflict between Iran and Israel. The
  aforementioned figure illustrates how oil prices have usually decreased in 2025, but this
  tendency has reversed due to the intensifying violence. Prices rose from \$60.79 at the end of
  May to \$75.14 on June 18, and there are worries that future increases could disrupt the world's oil
  supply.
- Although we see a number of factors that could mitigate the effects of possible disruptions to
  the oil supply brought on by this conflict, such as OPEC+'s spare production capacity and the
  International Energy Agency's pledge to release oil from its emergency stockpiles in order to
  maintain market equilibrium, we think investors shouldn't overlook the tail risks. In the end, we
  anticipate that oil prices will continue to fluctuate, possibly showing an upward tendency in the
  near future.



- What does policy uncertainty mean for long-term returns, even while it can affect short-term volatility and cause underperformance periods? Earnings and profit margins are significant factors that influence long-term returns, and the United States has consistently performed better in both areas. Actually, since 2010, margins have risen 6.4% to 13.5%, whereas in Europe, they have increased 2.7% to 10.1%. The current 3.4% gap between U.S. and European margins is almost the largest in history.
- Furthermore, technological leadership and the growing use of artificial intelligence (AI) in a variety of industries will probably help the United States' margins continue to grow and overtake those of other countries. We predict that 2025 S&P 500 earnings per share will be between \$260 and \$270, showing positive growth of about 8% as robust earnings and margin expansion continue to propel U.S. exceptionalism into the future. This is because AI can help businesses increase their profit margins in a variety of ways.

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