

Who wins the future: banks, stablecoins, or AI?

Discover The Unknown Depth of
Financial Markets

01
Wednesday
October
2025

**INSIGHTS FROM
THIS MONTH
ANALYTICS REVIEW**

**EXPLORING THE
FINANCIAL
DEVELOPMENTS**

**DELVE DEEPLY
INTO THE WORLD
OF WEB3**

Context

ICEBERG ANALYTICA

- From Hype to Headset: How Generative AI Beat the Meta verse in the Office
- Generative AI Triumphs: Why the Meta verse Lost the Office War
- The New Tail-Risk Hedge: Why Gold and Commodities Are Critical for Portfolios
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ICEBERG FINANCIAL

- The \$21 Trillion Question: Is the AI Boom a Revolution or a Bubble?
- The AI Valuation Enigma: Is This Growth Sustainable or Speculative?
- The Yuan's Quiet Ascent: China's Bid to Reshape Global Finance
- The Yuan's Global Ambition: Redefining World Finance
- The Economic War: Can Sanctions Outlast Russia's Resilience?
- Sanctions vs. Stabilization: Russia's Economy Under Siege
- The World Bank's New Financial Tool: Securitization to Unlock Private Capital
- Securitization: The World Bank's New Engine for Private Sector Investment
- The Global Overcapacity Crisis: China's Manufacturing Power Sparks a Trade Reckoning
- China's Overcapacity: The Impending Trade War and Global Backlash

ICELAB

- New Stablecoin Bill Threatens Tether and Algorithmic Tokens
- Stablecoin Crackdown: Tether and Algos on the Chopping Block
- Bitcoin Miners Face a Post-Halving Reckoning: Who Will Survive?
- The Great Bitcoin Miner Shakeout: Survival in the Post-Halving Era
- Blockchain with a Safety Net: Circle Courts Banks with Reversible Payments
- Circle's Arc: A New Blockchain Layer Designed for Institutional Payment Reversals
- The \$500 Billion Stablecoin Bet: Tether's Audacious Fundraising Plan
- The Stablecoin Gold Rush: Is Tether's \$500 Billion Target Realistic?
- The Bitcoin Treasury Arbitrage: Wall Street's Strangest Merger

CHARTS

- Risk on?
- Eurozone: Forecast disagreement declines
- Composite PMIs are flagging higher recession risks for the world economy



• Insights From Past Weeks Analytics Review

• USD vs. Major Currencies •

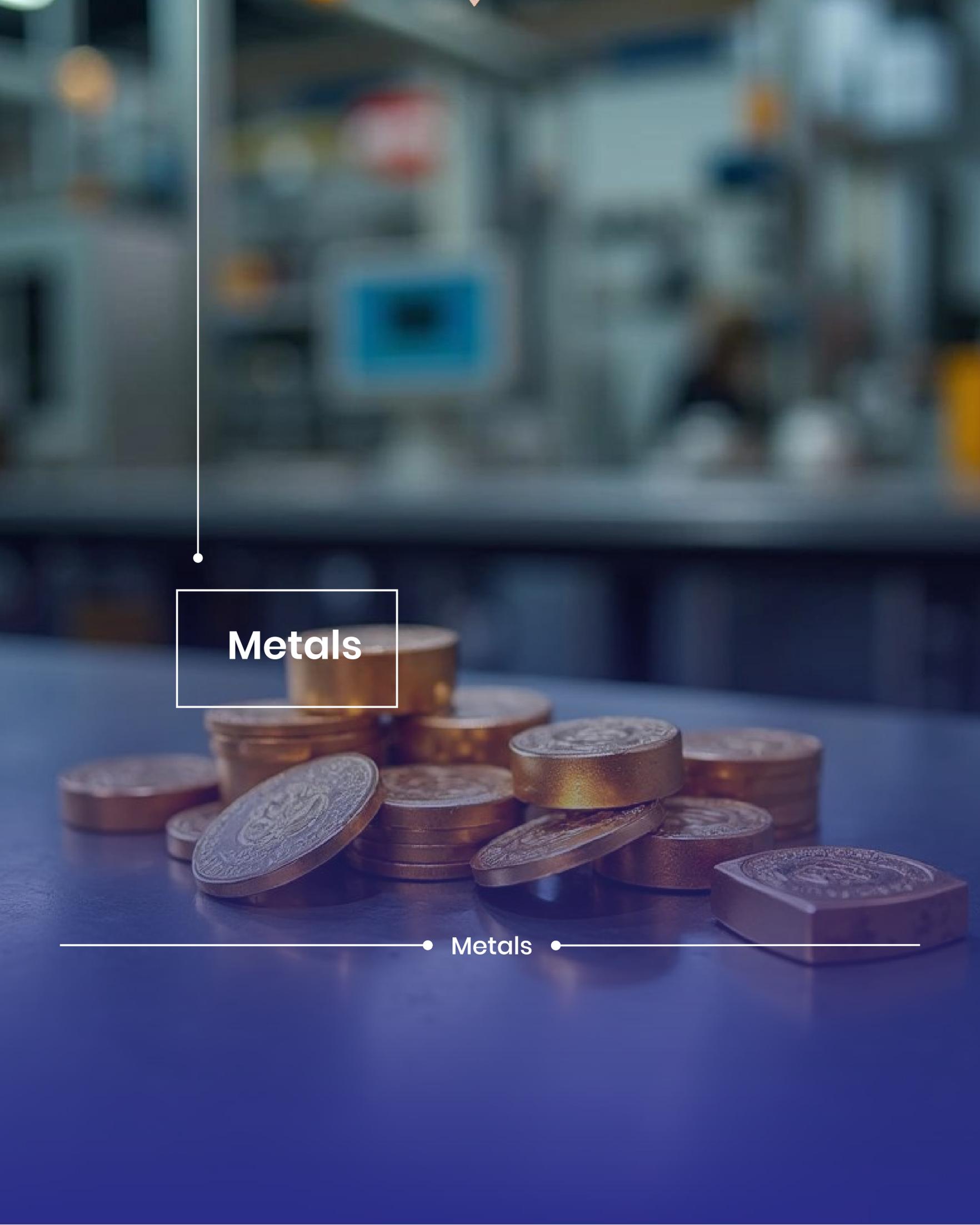
- The US Dollar strengthened this week, with the Dollar Index climbing above 98.00 and approaching monthly highs, fueled by robust economic data and higher Treasury yields. Strong labor market figures and a sharp upward revision in Q2 GDP highlighted the resilience of the US economy, providing support for the Greenback after recent weakness. On the policy side, the Federal Reserve cut rates by 25 basis points, citing slower job growth and rising labor market risks, while still keeping an eye on inflation at 2.7% headline and 2.9% core. Chair Jerome Powell emphasized caution, noting divided views among policymakers: some favor quicker easing to protect jobs, while others warn against undermining inflation control. Markets currently anticipate two more cuts this year, though Powell suggested avoiding both haste and delay in policy moves. Trade developments added further complexity, with the US extending its truce with China and reaching a partial deal with the EU, yet simultaneously imposing new tariffs on drugs, trucks, and home goods. These measures signal a protectionist stance aimed at reshaping supply chains, but they risk weighing on household spending and growth if sustained. As a result, tariffs remain a central source of uncertainty for global trade and a key factor influencing inflation, monetary policy, and the Dollar's outlook.

Energy

Energy

Symbol	Today	5 Days	1 Month	YTD	1 Year	3 Years	Day Range	52 W
USO	0.04%	4.76%	4.01%	1.95%	11.61%	21.87%	76.93 — 78.32	60.67
BNO	-0.03%	4.27%	4.10%	4.31%	12.09%	17.98%	31.23 — 31.73	24.72
UNG	-0.95%	-0.80%	4.18%	-25.82%	-19.39%	-87.12%	12.26 — 12.62	11.72
UGA	1.07%	3.55%	4.35%	5.11%	13.97%	29.80%	66.03 — 66.94	52.80

- Oil prices surged about 3% this week, reaching seven-week highs on concerns over tightening global supplies and a surprise decline in U.S. crude inventories. Brent crude closed at \$69.31 per barrel and WTI at \$64.99, marking their highest levels since early August and September, respectively. The Energy Information Administration reported a 607,000-barrel drop in U.S. inventories, contrary to expectations of a build, while reductions in distillates and gasoline added further support. Geopolitical tensions, particularly in Eastern Europe and Russia, also bolstered bullish sentiment, with Ukrainian strikes on Russian oil infrastructure and a state of emergency in Novorossiisk raising fears of export disruptions. Fuel shortages in Russia and proposed VAT increases to fund military spending added to market concerns, alongside U.S. statements backing Ukraine’s territorial gains and potential sanctions on Russian energy. Additional supply factors reinforced upward pressure, including slight declines in U.S. production, continued limitations on Iranian exports, Venezuelan export curbs, and short-term disruptions in Iraq. Overall, a combination of inventory surprises, geopolitical risks, and global supply constraints pushed oil prices higher, reflecting tightness in the energy market.



Metals

• Metals •

- Gold (XAU/USD) hit a record-high near \$3,790 earlier in the week as geopolitical tensions and weak European data boosted safe-haven demand, but it later corrected lower. The rally was sparked by NATO intercepting Russian fighter jets and capital flowing out of the Euro and Pound after disappointing PMI reports. However, stronger U.S. economic data and cautious comments from Federal Reserve Chairman Jerome Powell helped the Dollar rebound, leaving Gold consolidating around \$3,750. Midweek, upbeat U.S. indicators such as new home sales, GDP growth, durable goods orders, and falling jobless claims further strengthened the Dollar. While inflation ticked slightly higher, markets overlooked it, with Wall Street's optimism keeping Gold somewhat supported. This created a tug-of-war between U.S. economic strength and risk-driven demand, keeping prices rangebound after the peak. Looking forward, Gold's path depends heavily on upcoming U.S. data that could shape Fed policy expectations. Traders are eyeing a possible October rate cut, with labor market data like Nonfarm Payrolls set to play a pivotal role in determining whether Gold resumes its climb or faces more pressure.



• Analytica

• **Prompt Injection 101: Why Current AI Security Measures Aren't Enough**

Despite the fact that prompt injection risks were known before ChatGPT's launch, the AI industry continues to rely on model training to reject malicious commands—a method experts deem insufficient.

Large language models (LLMs) promise to simplify computing by responding to plain-English instructions rather than programming code. Yet, this simplicity creates systemic vulnerabilities. Because LLMs do not distinguish between data and instructions, they can be tricked into executing malicious commands hidden within seemingly harmless inputs.

Security researcher Simon Willison identifies a critical risk scenario when three elements combine: exposure to external content, access to private data, and the ability to communicate externally. This “lethal trifecta” creates an environment where AIs can be manipulated into leaking sensitive information. Microsoft Copilot recently required a patch for such a vulnerability, though it had not yet been exploited in the wild.

The issue of “prompt injection” was identified even before ChatGPT’s release in 2022. Real-world cases soon followed, such as DPD’s customer-service bot in 2024, which users manipulated into producing foul responses. While such incidents were more embarrassing than costly, experts warn that it is only a matter of time before prompt injection leads to significant financial damage.

Despite known vulnerabilities, companies continue deploying AI systems that embody the lethal trifecta. Notion’s September 2025 rollout of AI agents capable of reading documents, searching databases, and browsing websites created immediate risks. Researchers quickly demonstrated that malicious PDFs could be used to steal data, proving how easily the trifecta can be exploited.

Mitigation strategies focus on breaking the trifecta. One option is to limit exposure to untrusted external data, another is to restrict access to sensitive local information, and a third is to block outgoing communication channels. Each reduces the attack surface, though practical use cases—such as email or web access—make full prevention difficult.

Companies are also experimenting with structural safeguards. Google’s CaMeL framework separates responsibilities between two models: one interacting with untrusted data and the other handling trusted tasks. While this reduces risk, it constrains what LLMs can do. Apple, meanwhile, has delayed certain AI features that risk invoking the trifecta, demonstrating the tension between innovation and security.

The AI industry continues to rely heavily on model training to reject malicious prompts, but experts argue this is insufficient. Instead, lessons from traditional engineering—designing with tolerances, fail-safes, and worst-case planning—may need to be adopted in AI development. For now, however, no definitive fix exists, and consumers and companies alike must treat AI systems with caution.



- **From Hype to Headset: How Generative AI Beat the Metaverse in the Office**

The promise of the metaverse as a workplace transformer faded quickly, but generative AI has seamlessly integrated into daily office life. With daily usage jumping into the hundreds of millions, AI is rapidly reshaping how employees communicate, complete tasks, and even how their performance is monitored and evaluated.

From Metaverse Hype to AI Reality

The early 2020s were briefly dominated by excitement over the metaverse, with bold forecasts of trillions in value and firms hiring “chief metaverse officers.” That buzz quickly faded, leaving behind a handful of enthusiasts still touting NFTs and virtual embassies. By contrast, generative AI has moved beyond hype into widespread use. Though its ultimate impact remains uncertain, it is already reshaping workplaces in ways the metaverse never did.

Quantitative Signs of Adoption

The adoption of AI in offices is increasingly measurable. A study by OpenAI and Harvard’s David Deming shows ChatGPT usage in workplace messages jumped from 213 million daily in June 2024 to 716 million a year later. Employees often experiment with AI independently, sometimes discreetly, as they weigh whether it will help them succeed or replace them. Other tools, like Anthropic’s Economic Index, suggest tasks are shifting from human-AI collaboration toward full automation.

Cultural Shifts in the Office

AI now forms part of everyday workplace culture. Conversations frequently include casual questions like “How do you use it?” and jokes about job security. The vocabulary of AI—terms such as “alignment” and “agentic”—has become office jargon, sometimes used more to signal savvy than to convey meaning.

Changing Norms and Monitoring

The assumption that AI is everywhere has begun to transform professional norms. Meetings are transcribed and summarized automatically, creating permanent records of conversations. Some companies track AI adoption through dashboards, with usage affecting employee evaluations. Meanwhile, job interviews and exams increasingly rely on AI monitoring, detecting cheating or flagging suspicious behavior, blurring the line between human and machine oversight.

The Impact on Workplace Communication

One of the most common uses of AI is writing. This has reduced obvious grammatical errors but increased factual mistakes and led to a flood of generic, sanitized language. Emails, reports, and internal messages often feel standardized, echoing the sterile style of airline safety briefings or call-center scripts. While this does not amount to full-scale transformation, AI is already shaping how people communicate, collaborate, and perceive their roles at work.

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.





- **The New AI Frontier: How Smaller, Specialized Models Are Challenging the Giants**

With its new K2 Think model, the UAE is proving that the future of AI isn't just about the biggest and most powerful systems. By prioritizing efficiency and speed, this compact 32-billion-parameter model offers a new, cost-effective vision for AI development that could disrupt the dominance of larger American and Chinese players.

With only 260 possible letter-digit combinations, overlap in naming AI models was inevitable. This month, the UAE launched K2 Think, becoming the second country after China to introduce a model with the "K2" label. Unlike China's Kimi K2, the Emirati version is a reasoning model designed to handle step-by-step problem solving, particularly excelling at mathematics and coding tasks.

AI Stocks Rally Despite Ongoing Doubts
Despite lingering doubts, leading AI-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?

K2 Think is smaller than many leading models, with 32 billion parameters, but it is optimized for efficiency. Hosted on advanced Cerebras chips, the system delivers lightning-fast inference speeds—thousands of words per second—without the heavy resource demands of larger AI systems. According to its creators at MBZUAI, this approach represents a new era of cost-effective and reproducible AI.

Despite its independence from China's Kimi K2, the Emirati model was built on Alibaba's Qwen 2.5. This choice allowed MBZUAI to avoid the costly process of training a base model from scratch and instead focus on fine-tuning. Importantly, K2 Think is fully open-source, with its code and training data publicly available, a step aimed at transparency and broad adoption.

The UAE's reliance on a Chinese foundation model reflects a strategic balancing act in global AI politics. On one hand, it has deepened ties with the U.S. by joining OpenAI's Stargate project and planning large-scale data centers. On the other hand, by leveraging Chinese technology, it signals flexibility and independence in shaping its AI strategy amid intensifying East-West competition.

- **K2 Think highlights the UAE's dual strategy: align with global AI powers while building a distinct, regionally relevant AI sector.**

The UAE is determined to carve out a unique position in the AI landscape. Beyond K2 Think, MBZUAI has released Jais, an Arabic large language model, and NANDA, which supports Hindi. These culturally specific tools aim to serve regional needs and avoid direct competition with American and Chinese AI giants. For Emirati leaders, such efforts symbolize the nation's vision of innovation with local identity.

With strong government backing, institutions like MBZUAI and G42 see smaller, resource-efficient models as a way to rival larger AI systems while maintaining sustainability. K2 Think is a showcase of this philosophy, proving that the UAE can contribute meaningfully to the AI race not only through size and scale, but also through specialization and adaptability.





- **The Battle for the Future of Money: Banks vs. Stablecoins**

The U.S. financial system is at a crossroads as banks lobby Congress to halt stablecoin yield programs. While banks warn of a threat to financial stability, crypto firms argue it's a move to protect profits, setting the stage for a fight that will redefine how we transact in the digital age.

Banks Push to Block Stablecoin Yields

U.S. banks are lobbying Congress to prevent stablecoin issuers and their affiliates from offering yield programs. They argue that yield-bearing stablecoins could divert deposits from banks, weakening their ability to make loans and destabilizing the credit system. The banking industry frames this as a matter of financial stability

Stablecoin Advocates Challenge the Narrative

Crypto firms, led by Coinbase, push back, calling the banks' warnings a myth. They point out that U.S. banks currently hold trillions in reserves at the Federal Reserve, earning billions in risk-free interest instead of lending. According to Coinbase, the real issue is not stability but protecting banks' \$187 billion annual profit from payment fees and limiting competition.

Expanding Role of Stablecoins

Stablecoins such as USDC and USDT are increasingly used for cross-border transfers, onchain finance, and efficient domestic payments. Advocates argue that they complement lending rather than undermine it, offering consumers transparency and freeing them from hidden fees embedded in traditional banking products.

Regulatory Crossroads Under the GENIUS Act

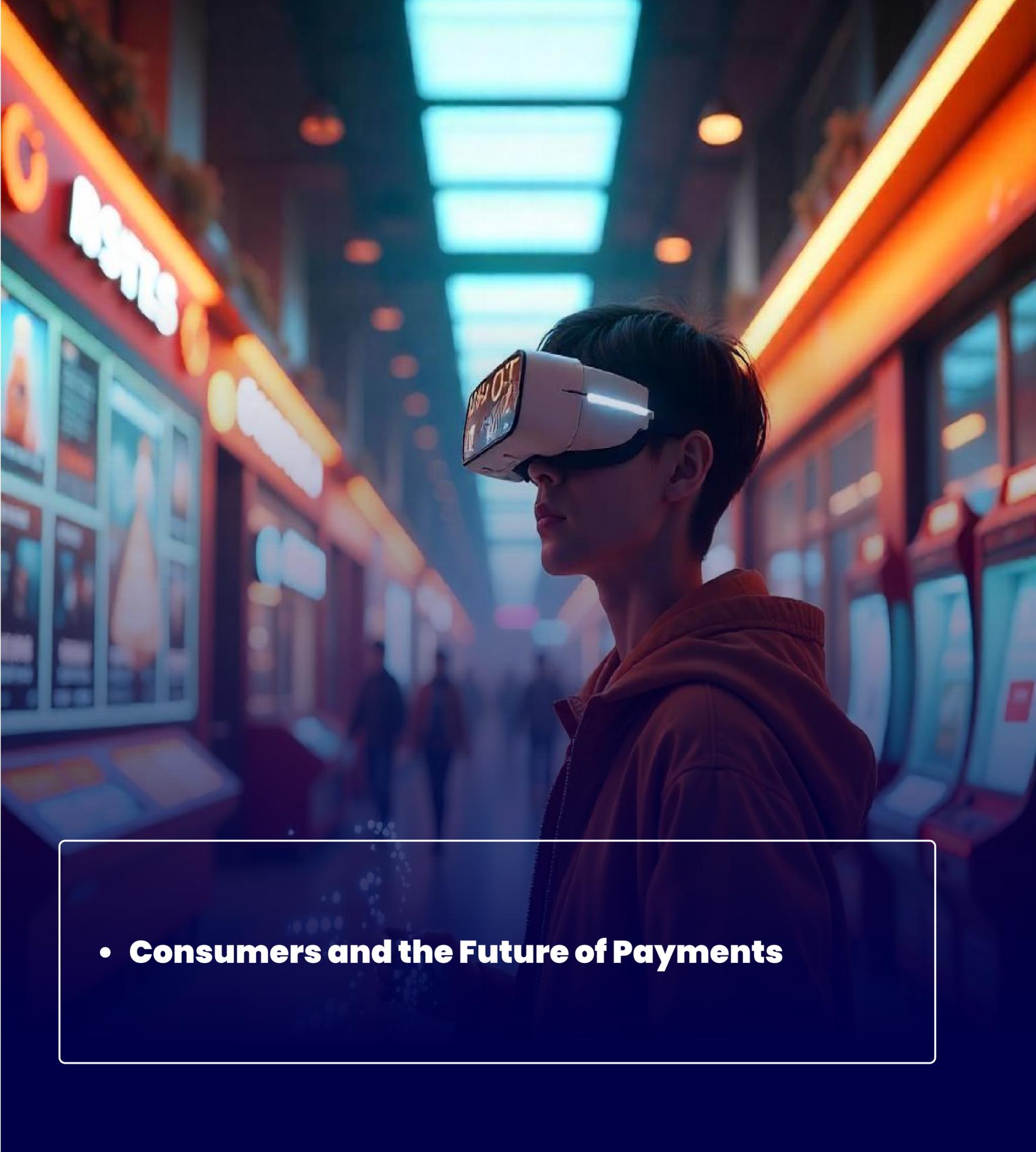
The GENIUS Act of 2025 established the first federal rules for stablecoins, mandating one-to-one backing and banning issuers from paying yields. However, the law left a loophole that allows affiliates and exchanges to offer rewards. Banks now want Congress to close this gap, leaving policymakers with a choice: preserve traditional banking models or foster competition in payments.

. Banks frame stablecoin yields as a threat to deposits, but advocates argue the real issue is protecting bank profits.

Innovation Abroad and Historical Parallels

While the U.S. debates, Canada is advancing with a regulated CAD stablecoin backed by major financial institutions. Federal Reserve Governor Christopher Waller compares stablecoin resistance to banks' earlier pushback against ATMs and online banking—technologies they eventually adopted. History suggests that resistance may delay, but not stop, innovation.





- **Consumers and the Future of Payments**

Stablecoins promise instant settlement, lower costs, and 24/7 money transfers, features consumers increasingly expect. With surveys showing widespread dissatisfaction with banks, stablecoins could intensify competition and reduce fees. The outcome of this battle will directly impact how households and businesses transact in the digital age.

The Stakes for Finance

At its core, the fight over stablecoin yields reflects a struggle over the future of money. Banks want to safeguard deposits and profits, while stablecoin issuers push to be recognized as legitimate payment providers. The resolution will shape global finance, influencing whether the U.S. clings to legacy systems or embraces digital rails.

Congress's decision under the GENIUS Act will determine whether the U.S. fosters competition in payments or entrenches the status quo.

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 AI 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. AI'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 AI-powered, intention-based commerce feels like the future.





- **Financial**

- **The Yuan's Quiet Ascent: China's Bid to Reshape Global Finance**

Amid a weakening U.S. dollar, China is strategically advancing its yuan on the global stage. From growing its share of international trade to building a new financial infrastructure, Beijing is carefully laying the groundwork for a "multipolar" currency system that challenges the dollar's dominance without fully liberalizing its economy.

A Shifting Global Currency Landscape

China sees opportunity in the dollar's recent weakness, fueled by America's trade tensions, fiscal deficits, and political risks. The yuan has strengthened to its highest level since Trump's reelection, attracting foreign investors and governments seeking alternatives to the dollar. This renewed interest builds on earlier efforts to internationalize the yuan, though China remains cautious after painful capital flight in 2015.

The Strategic Value of the Yuan

Beijing views a global yuan as a shield against U.S. sanctions and dollar volatility. To advance its role, China has grown the yuan's share in trade invoicing and overseas lending while building non-dollar financial systems. However, foreign uptake remains modest: only 4% of global payments and 2% of central bank reserves are in yuan, despite China's massive share of global output. Strict capital controls still limit broader acceptance.

Rapid but Controlled Progress

Despite barriers, yuan usage has surged since 2022. Over 30% of China's trade is now settled in yuan, compared with just 14% five years ago, and more than half of cross-border receipts are denominated in the currency. Officials are nudging banks and trade partners toward greater yuan adoption, particularly after Russia's sanctions drove Chinese banks to triple their yuan-based lending. Swap lines with 32 central banks further strengthen global liquidity in yuan.

Building Financial Infrastructure

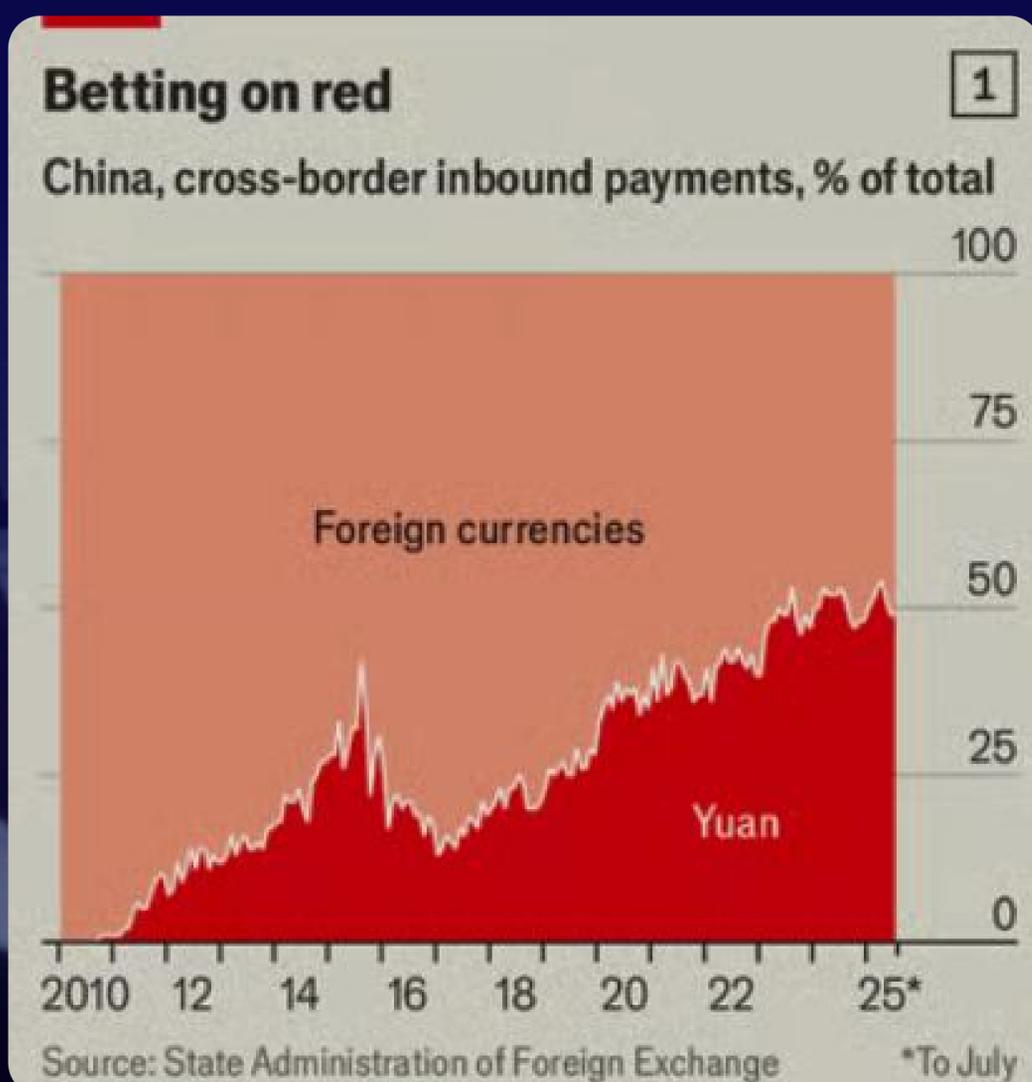
China is also investing heavily in financial "plumbing" to bypass the dollar system. Its CIPS network, an alternative to SWIFT, has grown to 1,700 banks worldwide, with transaction volumes soaring 43% in 2024. Digital yuan initiatives and the mBridge platform further extend reach, allowing transactions even under U.S. sanctions. New clearing banks across Asia, Africa, and the Middle East underline the geopolitical ambitions behind these moves.

Expanding Market Access

Beijing has cautiously opened its capital markets, offering foreigners more opportunities to trade yuan assets. Record "dim sum" bonds and sovereign "panda bonds" are drawing interest from Hungary, Russia, Brazil, Kenya, and Pakistan. Low offshore borrowing costs make yuan bonds attractive, while countries see potential in diversifying away from the dollar. Yet, China continues to resist fully liberalizing capital flows, preferring to manage internationalization on its own terms.

The Long View

Chinese officials stress that the future financial system will be multipolar, with the yuan competing alongside the dollar rather than replacing it. By carefully controlling capital access while expanding international use, China aims to create a global currency with "Chinese characteristics." The outcome may reshape global finance, but progress will remain gradual, disciplined, and state-managed.





- **The New Tail-Risk Hedge: Why Gold and Commodities Are Critical for Portfolios**

Traditional portfolios are increasingly vulnerable to stagnation and high inflation, forcing investors to look beyond stocks and bonds for protection. Goldman Sachs Research confirms that gold and commodities—particularly energy and rare earths—are essential diversifiers that historically deliver positive returns during periods of policy uncertainty and geopolitical supply shocks.

Goldman Sachs Research highlights that traditional equity-bond portfolios are vulnerable to certain tail risks, especially during periods of stagnant growth and high inflation. Gold and commodities serve as important diversifiers in such scenarios, offering protection when stocks and bonds fail to deliver. Historical evidence, from the 1970s inflationary surge to the 2022 energy crisis, shows that gold and commodities often perform positively when conventional assets decline.

Two key situations leave equity-bond portfolios exposed: periods of heightened policy uncertainty—when markets question central banks’ ability to manage inflation—and supply shocks, such as disruptions in energy flows. In these environments, investors often seek assets outside the traditional system, with gold proving to be a reliable hedge. Commodities also play a critical role, particularly during inflationary shocks that impact essential resources.

Globalization has stalled since 2008

Global goods trade as a share of GDP: World trade openness, % of GDP



Gold and commodities historically deliver positive returns when stocks and bonds fail, making them vital tail-risk hedges.

Commodities are gaining importance due to their growing role in geopolitics and resource security. Goldman Sachs Research notes a recurring four-step cycle: governments first insulate supply chains, then export surplus, supply eventually consolidates, and dominant producers leverage control for economic or political advantage. This cycle increases disruption risks, reinforcing the case for commodities as a strategic hedge in investment portfolios.

Resource concentration is already visible across key markets. The U.S. is projected to supply more than one-third of global LNG by 2030, linking exports to tariff negotiations. Europe, having moved away from Russian energy since 2022, has become increasingly reliant on U.S. LNG. Meanwhile, China dominates refining of rare earth minerals—critical for AI and green technologies—controlling over 90% of global capacity. Such dominance enhances the strategic leverage of these commodities

Not all commodities are equally effective as hedges. Their value as a portfolio protector depends on their weight in inflation measures and the extent of supply disruptions. Energy stands out due to its direct and immediate impact on inflation and market stability. Industrial metals and rare earth minerals, though lower in direct inflation weight, have increasing importance as the world transitions to renewable energy and digital technologies. Disruptions in these markets, especially given China's dominance, could trigger significant ripple effects.

As geopolitical risks rise and inflationary pressures persist, commodities and gold are positioned as essential hedges for investors. Beyond diversification, they offer resilience against systemic shocks and resource-driven disruptions. For long-term investors, their role is likely to expand as supply chain security, technological demands, and geopolitical leverage reshape global markets.

Energy, rare earths, and industrial metals stand out as critical hedging assets due to their inflation sensitivity and concentrated supply chains.



- **The \$21 Trillion Question: Is the AI Boom a Revolution or a Bubble?**

Fueled by a handful of tech firms, the AI sector has driven a \$21 trillion surge in the American stock market since 2022. Despite massive capital inflows and predictions of a "Digital God," early financial results are minuscule compared to the hype, leading analysts to warn that valuations are flashing red in a manner reminiscent of the 1999 dot-com bubble.

AI and the Stockmarket Boom

Since the launch of ChatGPT in 2022, America's stockmarket has soared by \$21 trillion, with just ten firms—such as Nvidia, Amazon, and Broadcom—accounting for more than half of the rise. AI excitement has driven Oracle's surge and made Larry Ellison briefly the world's richest man. In the first half of the year, IT-related investment was the sole driver of America's GDP growth, while a third of venture capital in the West has flowed into AI firms. This reflects investors' conviction that AI could reshape the global economy.

Expectations and Early Returns

Optimists compare AI to the Industrial Revolution, predicting value in the tens or even hundreds of trillions. Some speak of creating a "Digital God," which fuels massive investment. Yet the financial results so far fall short of such dreams. UBS estimates AI revenues at \$50 billion annually—growing fast but tiny compared to the \$2.9 trillion forecast for global data-centre spending between 2025 and 2028. Moreover, research from MIT finds that 95% of organizations using generative AI report no tangible returns, raising doubts about sustainability.

AI investment has sparked massive market gains, but early revenues remain too small to justify the scale of capital inflows.

Signs of Irrational Exuberance

Warnings of overvaluation are mounting. Hedge funds liken the AI surge to the dotcom bubble, noting that valuations are flashing red. Analysts say AI stocks are pricier than tech shares in 1999. Even Sam Altman, head of OpenAI, admits investors may be “overexcited.” History shows that speculative bubbles often accompany major innovations—from railways to electricity—and while they tend to burst, the underlying technologies often endure and spread. AI may follow the same path, combining real advances with investor excess.

Lessons from Past Bubbles

When bubbles collapse, leading firms often give way to newcomers. Many giants of railways, telegraphy, and early electronics vanished after their respective busts. Even if AI thrives long-term, it is unlikely all of today’s “magnificent seven” tech titans will retain dominance. Historical experience also shows that the economic fallout varies: the collapse of Britain’s railways in the 1870s triggered a deep slump, while the dotcom bust left lasting infrastructure but caused a milder downturn. Outcomes depend on how capital is invested and who bears the losses.

Risks of the AI Boom

The AI boom is technologically driven but politically reinforced, as governments pour support into the sector. Capital spending is currently modest by historical standards but is rising fast, much of it in assets like chips and data centres that depreciate quickly. Large tech firms, with strong balance sheets, are financing a major share of this investment, limiting systemic risks for banks. Still, household wealth is more tied to stocks than ever before, amplifying the risk to consumer spending if AI valuations collapse. Should expectations for AI fail, America could face a harsh reckoning.

History suggests bubbles can fuel lasting innovation, but the eventual crash could still reshape industries and strain household wealth.





- **The Economic War: Can Sanctions Outlast Russia's Resilience?**

Despite enduring over 18 rounds of EU sanctions and thousands of U.S. restrictions, Russia's economy has proven surprisingly resilient, frustrating Western predictions of collapse. However, as Moscow's own tight fiscal and monetary policies slow growth, the conflict has become a high-stakes race between Ukraine's endurance and Russia's fading economic momentum.

A Race Between Ukraine and Russia

U.S. Treasury Secretary Scott Bessent recently described the Russo-Ukrainian war as a race: Ukraine's military endurance versus Russia's economic resilience. He argued that tougher sanctions and tariffs could push Russia's economy into "full collapse," forcing Vladimir Putin to negotiate. The metaphor highlights the strategic importance of economic pressure as much as battlefield performance.

Russia's Surprising Economic Resilience

Despite being the most sanctioned country in the world, Russia has not collapsed as many predicted. The EU has imposed 18 rounds of sanctions, with a 19th in progress, while the U.S. has targeted over 5,000 individuals and entities. Russia suffered a brief recession in 2022, but bounced back strongly in 2023–24. However, the momentum is fading, with GDP growth stalling at just 0.4% in July, corporate profits weakening, and consumer spending slowing.

Domestic Policy Shifts Weigh on Growth

Russia's recent slowdown stems partly from internal policy choices. After a massive fiscal boost worth 5% of GDP in 2023, the government is now consolidating spending. The central bank has also raised interest rates sharply to curb inflation, making borrowing expensive and discouraging investment. These measures, while stabilizing prices, have reduced the stimulus that fueled the earlier boom.

The Mixed Impact of Sanctions

Sanctions have pressured Russia's oil sector, reducing export revenues. From early 2022 to early 2024, quarterly goods exports fell from \$155bn to \$96bn. Yet global conditions—such as low oil prices and a stronger rouble—also explain the decline. Moreover, Russia has found ways to bypass restrictions through transshipment networks, re-exporting via third countries, and even bartering with partners to avoid financial transactions. These workarounds blunt the intended impact of Western sanctions.

Outlook: Stalemate or Leverage?

Although Russia's economy is stagnating, its labour market remains remarkably strong. Real wages and consumer sentiment are at record highs, and unemployment is at historic lows. This resilience delays the pressure that sanctions were meant to generate. Meanwhile, Ukraine faces worsening financial strains. For the West's strategy to succeed, it will need to step up aid, providing Ukraine with the "better running shoes" needed to outpace Russia both militarily and economically.



- **The Global Overcapacity Crisis: China's Manufacturing Power Sparks a Trade Reckoning**

China now produces over 30% of global manufactured goods, a dominance fueled by intense domestic price wars that push ever-cheaper exports abroad. With its trade surplus poised to surpass \$1 trillion, this flood of goods is creating an unprecedented global dilemma: political leaders want to curb competition while simultaneously needing China's investment in crucial sectors like green energy.

China's Expanding Industrial Power

China now produces more than 30% of global manufactured goods, more than the U.S., Germany, Japan, and South Korea combined. Its dominance is growing not just in scale but also in the anxiety it provokes abroad. Domestic firms, locked in fierce price wars, push goods abroad at ever-lower prices. China's share of global export containers has risen from one-third before the pandemic to over 36% today. Yet, some industry observers warn that global markets may soon be unable to absorb such volumes of Chinese products.

Trade Surpluses and Global Friction

Despite tariffs and trade restrictions, especially from the U.S., China's overall trade surplus is set to surpass \$1 trillion this year. While exports to America have fallen, shipments to Africa, Asia, Europe, and Latin America continue to surge. This duality creates political dilemmas: leaders in many countries want to shield domestic industries from Chinese competition but simultaneously welcome Chinese investment in sectors like green energy and batteries. This tension blunts efforts to confront China's trade practices.

Internal Strains and Xi's Priorities

Chinese leaders acknowledge the dangers of overcapacity and cutthroat competition at home. Some local governments have been told to stop bailing out unprofitable firms, while Beijing promotes domestic consumption to offset imbalances. Still, industrial output keeps outpacing demand, leaving exports as a release valve. Xi Jinping continues to champion manufacturing as a pillar of national strength, and the upcoming 2026–2030 five-year plan is expected to emphasize “disruptive” innovation and self-reliance against perceived Western containment.

Stubborn Diplomacy and Strategic Leverage

Foreign governments pushing China for fairer market access or consumer-focused reforms face little success. Chinese officials respond with sympathy for U.S. trade pressures but issue threats of retaliation if their exports are curbed. They deny supplying sensitive goods to Russia while presenting themselves as winning the trade war. Moves like restricting exports of rare earths have heightened global dependence fears, giving Beijing confidence in its leverage. However, these actions may also encourage other nations to diversify supply chains over time.

America, Trump, and Shifting Trade Tactics

Former U.S. diplomat Sarah Beran argues that both America and China are “overconfident” in their trade war strategies. Unlike Trump’s first presidency, his second has avoided pushing China for structural reforms, focusing instead on transactional deals like soybean sales, Boeing purchases, or reshaping TikTok for U.S. ownership. Chinese leaders view Trump’s industrial policies as validation of their own model, strengthening their determination to remain self-reliant. America’s attempts to block Chinese access to technology, paradoxically, have only fueled China’s drive to create world-class industries.

Key Points:

- China’s manufacturing power is vast, cost-driven, and increasingly disruptive abroad, while overcapacity pressures mount at home.
- Global tensions rise as countries seek both protection from and partnership with China, while U.S. trade tactics shift toward transactional rather than structural demands.



- **ICELAB**

- **Bitcoin Miners Face a Post-Halving Reckoning: Who Will Survive?**

The 2024 Bitcoin halving has squeezed profit margins for public mining companies, creating a high-stakes environment where only the most efficient and strategic players are poised to thrive. This report breaks down the winners and losers of the new era of crypto mining, from vertically integrated leaders to debt-saddled stragglers.

Margin Compression After the Halving

The April 2024 Bitcoin halving cut block rewards to 3.125 BTC, tightening profitability for public mining companies. Metrics such as hashcost (operating costs) and hashprice (revenue per hashrate) highlight the strain: only a few miners with efficient fleets and cheap power, like Cleanspark, Riot, Core Scientific, Terawulf, and Cipher, are holding strong margins. Others, such as Hive and Hut 8, are near unprofitability.

The Debt Overhang Problem

Not all strong margins tell the full story. Core Scientific, despite its profitability, is weighed down by \$608 million in debt after a recent bankruptcy restructuring. Its inability to hold mined bitcoin constrains long-term upside. Similarly, Hut 8's shrinking margins and lack of ASIC expansion plans leave it vulnerable despite having a sizeable cash position.

Marathon's Strategic Shift

Marathon, the largest miner by market cap, has thin current margins but a massive cash and BTC treasury. In 2024, it pivoted from outsourcing to vertically owning facilities, acquiring sites in Nebraska and Texas for \$265.9 million. These moves are expected to lower costs and expand margins, positioning Marathon for greater resilience compared to less integrated competitors.

Efficiency, vertical integration, and expansion define the miners most likely to survive and grow in the post-halving era.

Expansion Plans as Survival Tools

The next era of mining is defined by fleet upgrades and facility growth. Riot leads with \$550.6 million in ASIC orders and a new immersion-cooled Texas facility, while Cleanspark and Bitfarms also have large orders in progress. Site expansions are underway across the sector: Cleanspark in Mississippi, Riot in Corsicana, Cipher in Texas, and Hut 8 in Salt Creek. Bitfarms, with lower power costs and pending expansions, could see its valuation catch up with sector leaders.

Winners and Stragglers

Investors are encouraged to stick with miners that reinvested 2023's liquidity into fleet upgrades and site expansion. Standouts include Cleanspark, Riot, and Marathon, with Terawulf, Iris, and Cipher making progress as well. In contrast, Hive's high power costs, Hut 8's lack of clear strategy, and Core Scientific's debt remain red flags. Long term, miners that cut operating costs, integrate vertically, and adopt efficient ASIC fleets will thrive.



- **The Bitcoin Treasury Arbitrage: Wall Street's Strangest Merger**

The market for corporate Bitcoin treasuries—companies that solely hold BTC—is proving to be highly inefficient, with stocks trading at sharp premiums or discounts to their crypto holdings. This bizarre dynamic is being exploited in an all-stock deal where the overvalued Strive is using its "expensive currency" to acquire the undervalued Semler Scientific, creating a textbook arbitrage opportunity with unusual market risk.

The Rise of Bitcoin Treasuries

Bitcoin treasuries, corporate entities created solely to hold bitcoin, have emerged as one of Wall Street's most peculiar trends. Inspired by MicroStrategy's pivot into crypto, these shells give investors indirect exposure to bitcoin but often trade at valuations that diverge sharply from the value of their underlying holdings. Some trade at premiums, while others trade at discounts, challenging the efficient market hypothesis.

A New Phase: Consolidation

This trend has entered a new stage with mergers and acquisitions. Strive, a listed bitcoin vehicle backed by entrepreneur Vivek Ramaswamy, announced an all-stock deal to acquire Semler Scientific. Strive is significantly overvalued relative to its bitcoin holdings, while Semler trades at a discount. By leveraging an inflated stock price, Strive is effectively using an "expensive currency" to purchase a cheaper one.

Arbitrage Opportunity or Risk?

This discrepancy highlights the strange pricing dynamics of bitcoin treasuries. On paper, the arbitrage trade seems obvious: buy Semler shares cheaply and short Strive shares against them. However, the market's hesitation suggests lingering uncertainty about whether share prices will converge with the deal's exchange ratio.

Structural Market Inefficiencies

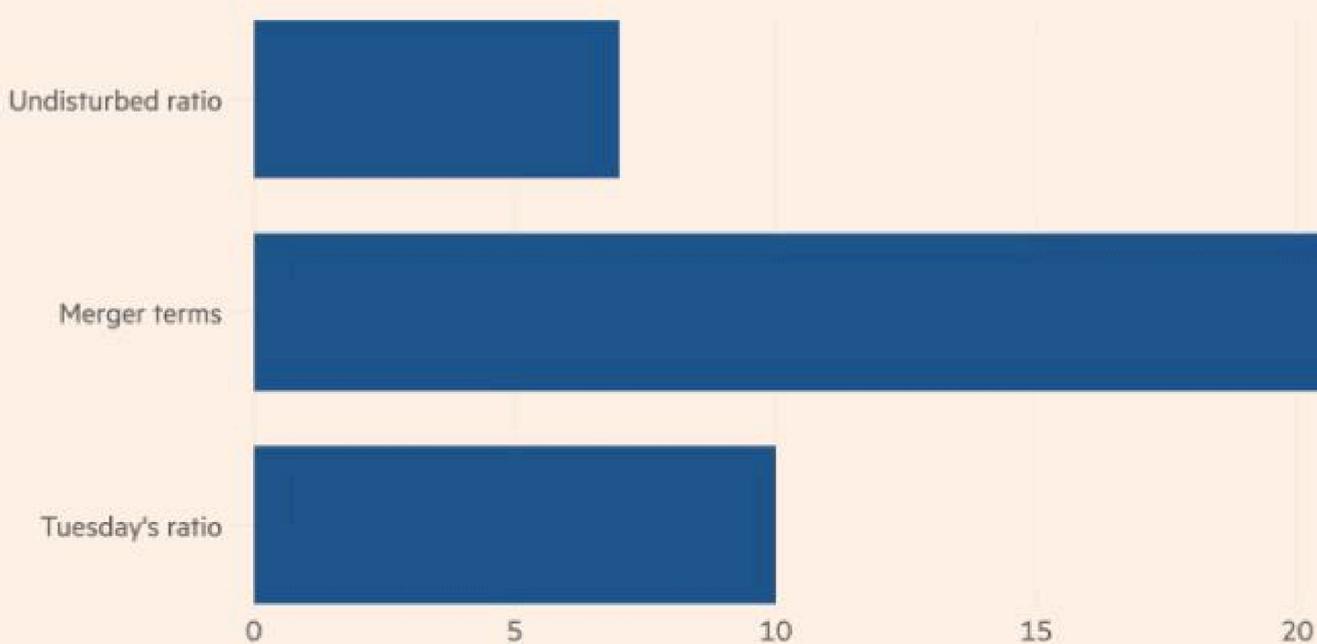
The broader puzzle is why different bitcoin treasuries, all holding the same underlying asset, can be valued so differently depending on who owns them. The Strive–Semler deal underscores how investor perceptions and market psychology can distort pricing, creating opportunities and risks for arbitrageurs.

The Unwinding Risk

For Ramaswamy, the deal's success depends on the market adopting Strive's inflated valuation rather than Semler's discount. If investors ultimately decide Semler's pricing is more rational, Strive's shares could face a sharp decline. What began as an attempt to exploit inefficiency might instead accelerate a market correction that exposes the fragility of bitcoin treasury valuations.

Trouble in cryptoland

Semler Scientific's share price as a multiple of Strive's





- **Blockchain with a Safety Net: Circle Courts**
Banks with Reversible Payments

To appeal to institutions demanding bank-like standards, Circle is developing its 'Arc' blockchain, which features confidentiality and a "counter-payment" system for unwinding transactions. This push for reversible payments positions Circle as the leading stablecoin partner for traditional finance, even as critics warn that the model risks excessive centralization.

Circle, the second-largest issuer of stablecoins, is exploring ways to enable transaction reversals, a sharp turn from crypto's long-held principle of blockchain immutability. Circle's president, Heath Tarbert, argued that providing refunds in cases of fraud or disputes could help stablecoins integrate more smoothly into mainstream finance. However, he acknowledged the challenge of balancing final settlement with reversibility, as the two goals naturally conflict.

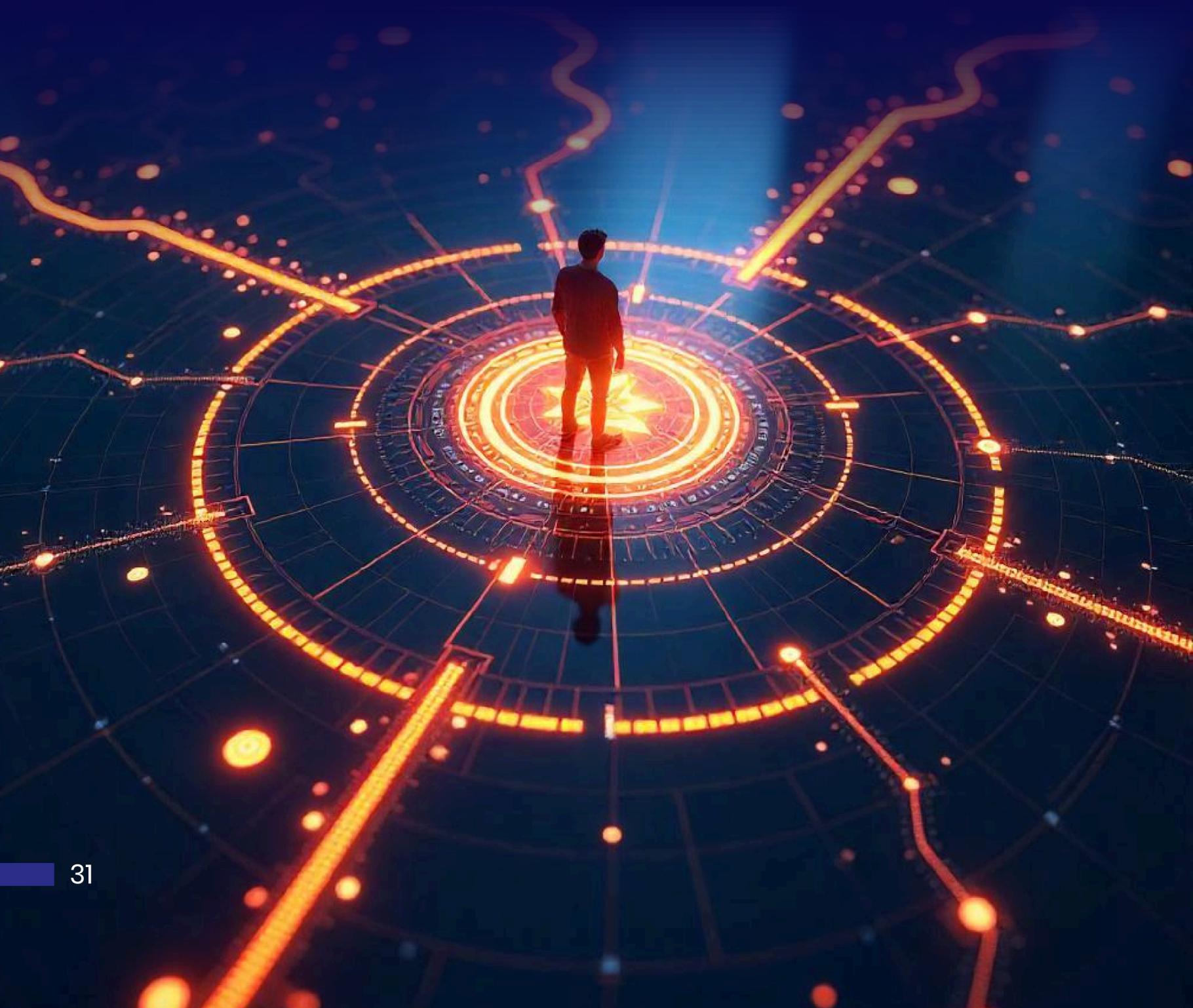
The idea of reversibility signals a major cultural shift in the crypto world, which has prided itself on independence from "traditional finance" (tradfi). Some crypto purists see this move as undermining blockchain's founding principles, even calling it offensive to describe such a system as a blockchain. Still, Tarbert stressed that while blockchain has advantages over legacy systems, traditional finance also offers important protections that crypto lacks today.

The debate comes against a backdrop of increasing U.S. government interest in stablecoins. A previous regulatory proposal requiring crypto firms to refund hacked customer accounts was rejected, but policymakers continue to push for rules to bring the sector closer to bank-like standards. With around \$280 billion in stablecoins circulating, U.S. regulators and financial institutions see the technology as a potential driver of faster and cheaper payments, and as a way to strengthen the dollar's global role.

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.





- **New Stablecoin Bill Threatens Tether and Algorithmic Tokens**

A bipartisan Senate bill proposes a comprehensive new framework for stablecoins, creating a two-tier system that could fundamentally reshape the crypto market. The legislation aims to curb the influence of foreign issuers like Tether and explicitly bans algorithmic stablecoins, creating a new set of winners and losers in the digital finance space.

Stablecoin Regulation Framework

A new Senate bill proposes a two-tier system for stablecoin issuers. Nonbank trust companies may issue tokens as long as the total value stays under \$10 billion. Larger issuers must become depository institutions and register as national payment stablecoin providers. This framework effectively bans algorithmic stablecoins, such as the failed TerraUSD, and applies extraterritorially to foreign issuers like Tether, which dominates the \$158 billion market.

Oversight and Accounting Changes

The bill also addresses oversight concerns by clarifying thresholds that determine when federal versus state regulators have authority. This compromise seeks to prevent companies from exploiting lax state rules. Importantly, it overturns SEC Staff Accounting Bulletin 121, which required banks to carry crypto custodial assets on their balance sheets. Eliminating SAB 121 would lower costs for banks, making custody and other crypto-related services more accessible to large institutions like JPMorgan, Goldman Sachs, and BNY Mellon.

Market Leaders and Risks

Tether and Circle dominate the stablecoin sector with a combined 90% share. Circle's USDC, with \$33 billion in circulation, could benefit directly if the bill weakens Tether's competitive position in the U.S. Algorithmic stablecoins face an outright ban, raising questions for projects such as Ethena's USDe (\$2.3 billion) and MakerDAO's Dai (\$5.8 billion). Concerns remain that such tokens may pose systemic risks similar to the TerraUSD collapse.

Political and Regulatory Momentum

This bill has stronger prospects than prior attempts because it reflects months of negotiations involving the White House, Treasury, the Federal Reserve, and state regulators. Senator Sherrod Brown, historically reluctant to support crypto legislation, has signaled openness to stablecoin-specific rules. Key decision makers will include Senator Brown in the Senate and Chairman Patrick McHenry in the House, whose support could secure the bill's passage.

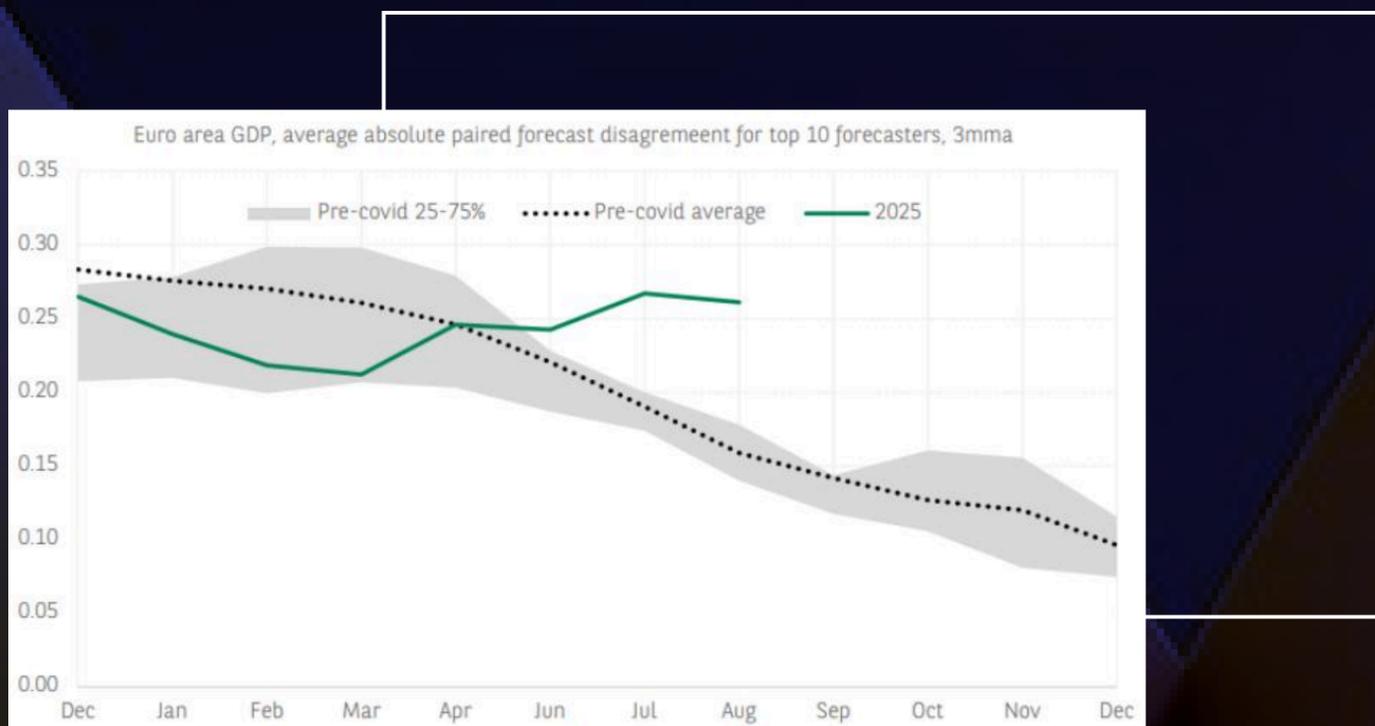
Industry and Investment Implications

If enacted, the legislation would create winners and losers. Coinbase and Circle, which jointly issue USDC, stand to gain market share and revenue, especially if Tether faces compliance challenges. On the other hand, algorithmic stablecoins and their associated governance tokens, such as Ethena's ENA and MakerDAO's MKR, may face heightened risks. For investors, caution is advised with algorithmic assets, while companies aligned with regulatory clarity could benefit significantly.

CHARTS



- Following the tariff-driven decline in April, some investors were surprised to learn that the S&P 500 was now trading at record highs. Perhaps more surprising, though, is the fact that the rally is spreading beyond large IT firms
- Since the market fell over 20% due to policy uncertainty in early April, equities indices have been rising and frequently reaching all-time highs. The S&P 500 is already about 13% year to date, something some investors didn't see coming. But what would really surprise people is that the rally is spreading beyond large tech firms.
- The fact that cyclicals are beating defensive sectors suggests that investors' outlook is improving. Furthermore, relative to the market as a whole, as indicated by the S&P 500, high beta stocks—those that typically see more significant price fluctuations—are at a year-to-date high. Outperformance by high beta stocks usually indicates that the market is growing more optimistic.
- The fact that consumer discretionary spending is outpacing staple spending shows that consumers can withstand slower employment growth. Finally, the technology sector, which is equally weighted, is outperforming the average stock. This suggests that a more diverse constellation of businesses is benefiting since technology stocks other than the Magnificent Seven are also doing well.
- When taken as a whole, these indicators show that the market is more optimistic about the future. There is still a chance that job growth may slow, and we will keep a careful eye on whether this affects consumer spending. However, as the Federal Reserve eases into a better earnings environment, we think stocks can continue to rise.



- The short-term growth picture for the Eurozone is still unclear, even after the US-EU trade deal was announced at the end of July. Growth projections for the current year have historically tended to converge as the year goes on. This is a benefit rather than a drawback: final quarterly GDP figures are released as the year goes on. As a result, forecasters have fewer data points to dispute, which causes their full-year outlooks to converge automatically. But 2025 is different.
- Individual GDP projections from more than 130 financial institutions, think tanks, and other international organizations are included in this data. The data set spans the period from October 2010 to August 2025. The average disagreement in our dataset from 2013 to 2019 before COVID-19 is plotted in the chart. The pandemic period (2020–2023) has been removed since lockdowns resulted in notable but frequently brief rises in the disagreement metric. The tendency of converging outlooks, especially from the second half of the year, is further cemented by the grey region, which represents the interquartile range for these years.
- Forecast discrepancies for GDP growth in the euro area usually decrease from approximately 0.3% at the beginning of a given year to 0.1% at the conclusion. Because the final GDP growth estimates for the first three quarters are usually released at the end of the year, leaving only the fourth quarter outlook unknown, such a fall is to be expected.
- The 2025 green line is very noticeable. April saw a rise in disagreement after a decrease in Q1. Many analysts were had to reconsider their predictions at that time because to the subsequent announcements of US tariffs, higher German fiscal spending, and EU rearmament. Disagreement persisted after that, which is more proof of how high the level of uncertainty is over the US tariff strategy and its effects on the economy, as well as how quickly Germany and Europe will carry out their plans. Uncertainty and forecast dispersion also stem from the question of which competing force will prevail. Disagreement is roughly twice as high now as it was during the reference era.

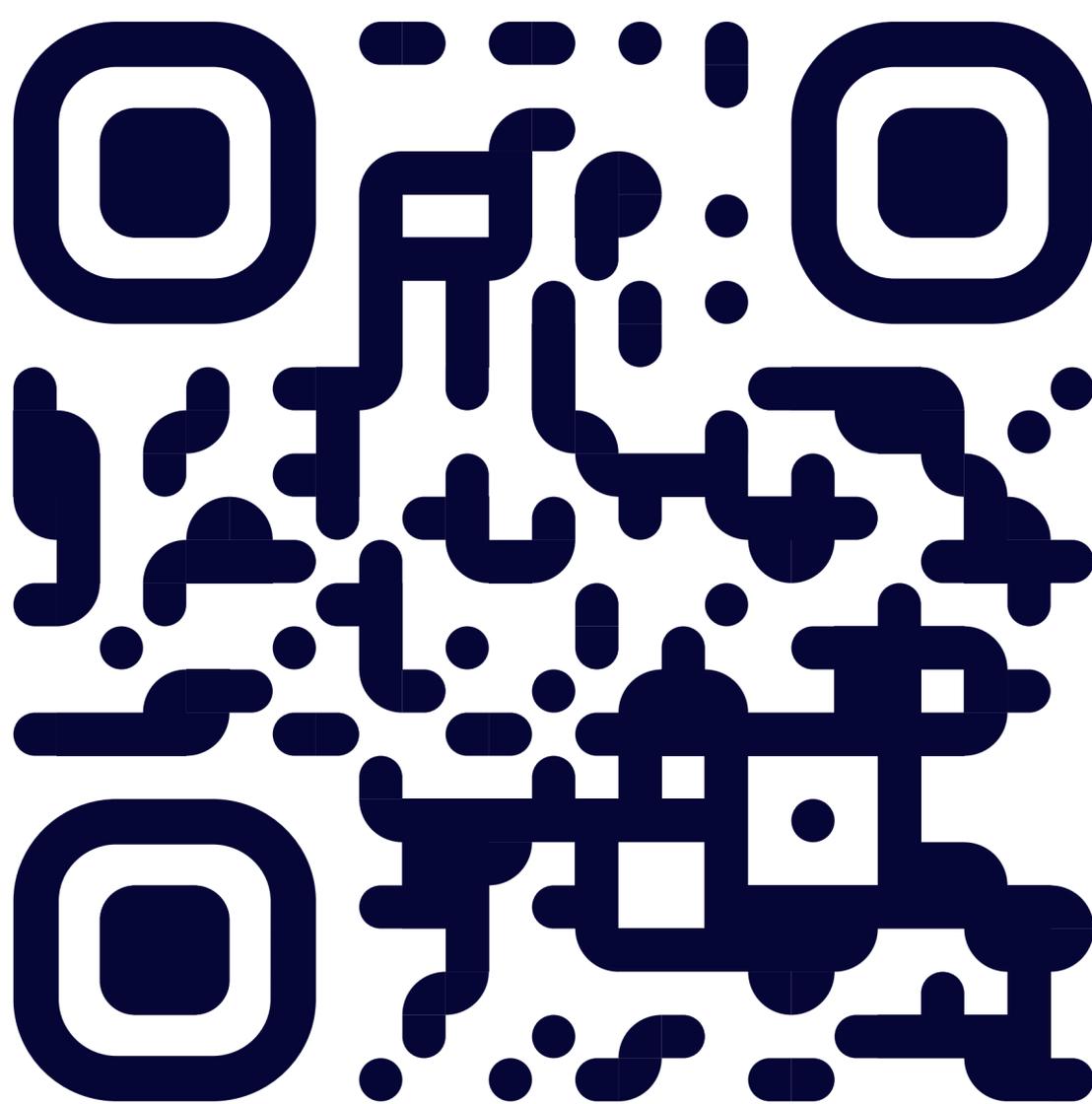


- According to last week's flash PMI statistics for the US, Euro Area, and Japan, overall output shrank in August to the greatest extent since the global financial crisis in 2009, discounting the initial wave of pandemic lockdowns. This week's final manufacturing PMI for China revealed a similar message.

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