

market notes: Seeing in “3-De,” hearing the technologist.

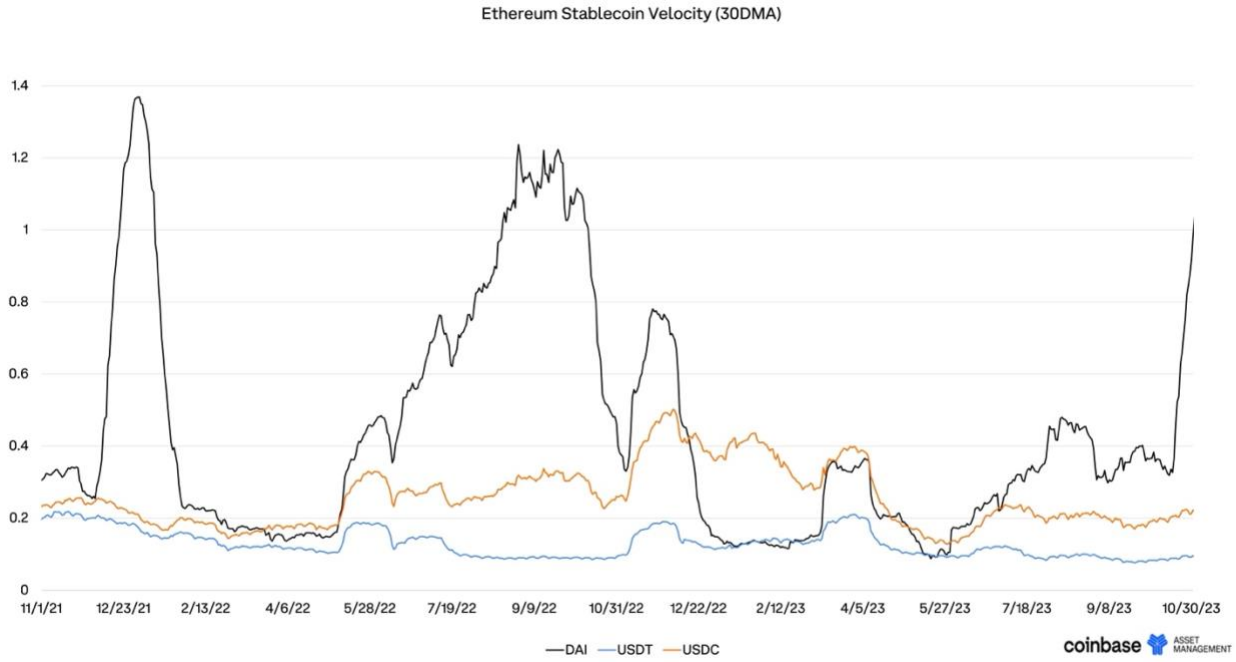
Global markets are seeing in “3-De” – deglobalization, dedollarization, decoupling. The technologist sees innovation unlocks from the Cold War, including digital finance entering the mainstream. International is lengthening its lead.

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11/3/23 - Marcel Kasumovich, Deputy CIO, Coinbase Asset Management**

1. “How long will you be there?” It is a common question in my UAE journey. I knew nothing a year ago. I studied. The things that unexpectedly stuck – English Common Law, Oscar Wilde, and Falconry. English Common Law is the highest standard for creditors, at the core of the ADGM – a serious signal. Oscar Wilde is etched into the glass of the Louvre in Abu Dhabi – a subtly serious signal. But it’s the mindset of the “Falcon Economy” that will keep me here.
2. Talent is attracted to growth markets. Think of the Juilliard School of Music. They don’t produce the world’s best talent; they attract it with a culture that allows the talent to thrive. New York is expensive, taxes are high, the scent of summer is arousing only for the abundant rat population – and it is magical. Because of the people it attracts. The UAE read the memo. I am engaged with people all over the world in all disciplines in the UAE. And I’m not a people person.
3. Getting to neutral ground fosters open dialogue. Global macro discussions center on the “three Ds.” Deglobalization. Dedollarization. Decoupling. They almost seem self-evident. Geopolitical risks are the dominant concern of CEOs and forward-looking institutions are building internal research efforts to navigate them, articulated elegantly by [Erik Schatzker](#). The US-China trade war in semiconductor chips is the poster child of this new world order.
4. “Or is it?”
5. The three Ds are a political construct in the eyes of the technologist. Innovators are global, competing to solve the same problems. The Cold War is an innovation unlock, even if unpleasant in the transition. Nuclear fusion, quantum computing, digital finance, artificial intelligence, climate technology – these are common, global hunts for progress. The new world order centers on who wins those races. And the West is facing competition from the East for the first time in recent history.
6. My eyes are drawn to the macro-financial lens. It’s a dark sky to the naked eye, but within a few minutes of focus a bright oasis of stars emerges. Transmitting money safely, securely, and for free the innovation offered by crypto rails. The obstacle to achieving its potential is entrance into the regulatory mainstream – finance isn’t taxis, the stakes are higher, and regulatory bodies are rightly more cautious. To scale, crypto must enter the regulatory mainstream. And it will.
7. But where? It could be through the backdoor of existing payment providers who see the value of more efficient payment rails. Providers like PayPal. Jose Fernandez de la Ponte, PayPal’s crypto brain, will compel anybody to [listen](#). The foundational element – PayPal can reduce its costs by 26 times. Everything else follows and is far-reaching. Digital goods can be completely transformed as micropayments enter the mainstream. And PayPal is a safe pair of hands.

8. Lean in? Regulators are pushing out. PayPal’s quarterly earnings this week were greeted [positively](#) with a focus on cost reduction. The stablecoin announced is key to that recalibration. The [10Q](#) revealed that the company received a subpoena from the SEC tied to its stablecoin. The timing is telling of the regulatory mindset. PayPal announced their stablecoin in August. Earnings were released November 2. The SEC subpoena was delivered on November 1.
9. Think international. UAE, Hong Kong, Singapore, London, and others are racing to regulatory clarity on the killer application of the digital economy – stablecoin. And the technologist's voice rings loudest. Dedollarization is far from obvious to the technologist. Not only is the stablecoin market overwhelmingly dominated by the US dollar, those without yield are gaining market share despite the surge in short-term interest rates. It’s because stablecoins are useful!
10. Stablecoins take the role of a payment tool, being separated from the future of money as a store of value. Not receiving interest on high-velocity payments is fair, the opportunity cost is modest. But US dollar asset holders, like sovereigns, seek more dynamic allocations. Solutions like the [Atlas Climate Token](#) are being calibrated with this in mind. Dollar reserves. Dynamically adjusting across asset classes. Embracing technology. Mitigating risks.
11. The macro mind is a terrible thing to waste – the voice of the technologist is loud and clear.

Figure 1: Stablecoin – Value Is Velocity



Source: The Block. Date: November 1, 2022 to October 30, 2023. Coin velocity = (Daily transaction volume/ current supply). It indicates how many times a single coin is used in transactions on a daily basis.

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