



Macro Market Report

The Great Convergence & The Liquidity Pivot

December 2025

Prepared By: Venu \$ojanapalli | Toyow Research

Contents

I. Executive Summary — Market Consolidation & Structural Shifts	2
II. Market Pulse Metrics (December Snapshot)	3
III. Macro & Demand Drivers	5
IV. Regulatory Landscape — Clarity as Catalyst	8
V. Infrastructure Maturation: The "Tokenization Stack"	10
VI. Market Outlook: 2026 Scenarios	11
VII. Strategic Implications for Toyow	13
VIII. Glossary of Key Terms	14
IX. Data Sources & Reference Frameworks	15

Executive Summary — Market Consolidation & Structural Shifts

December 2025 marks a critical inflection point in the digital asset economy, defined by a sharp divergence between short-term price volatility and long-term infrastructure maturation.

The month began with a distinct "risk reset." Following Bitcoin's correction from its October highs (~\$126k), the market witnessed a severe deleveraging event on November 21st, flushing over \$1.9 billion in leveraged positions in a single 24-hour period. This volatility extended into December, with stablecoin supply contracting for the first time in 26 months (-1.48%), signaling a temporary liquidity withdrawal and a "flight to safety."

However, beneath this volatility, the structural thesis for the On-Chain Economy has never been stronger.

1. **The "Safety to Growth" Rotation:** Institutional capital is not leaving; it is rotating. We are observing a shift from pure speculation to yield-bearing "safe haven" assets. The tokenized Real-World Asset (RWA) market has surged to over \$30 billion (excluding stablecoins), led by tokenized US Treasuries.

2. **Regulatory Anchors:** The US GENIUS Act (July 2025) and fully enforced MiCA regulations in Europe have provided the legal clarity required for banks to enter the fray. Stablecoins are transitioning from "crypto trading tools" to federally regulated settlement rails.

3. **Infrastructure Readiness:** With the Federal Reserve signaling a pause in its easing cycle (rates at 3.5%—3.75%), the focus for 2026 shifts to utility. Infrastructure providers (LayerZero, Chainlink) and Layer-2 networks are now processing billions in volume at sub-cent costs, making fractionalized RWA trading economically viable at scale.

The Bottom Line: We are exiting the "Speculative Phase" and entering the "Industrial Phase." For Toyow, this validates the multi-category, compliance-first approach: as crypto beta volatility rises, institutional demand seeks the "alpha" of non-correlated, real-world yields.

Market Pulse Metrics (December Snapshot)

During late November and early December, the stablecoin market experienced a temporary contraction, with total market capitalization briefly declining into the \$300—\$305 billion range, marking the first month-over-month pullback in over 26 months following a broad deleveraging event. As leverage was reduced across the market, capital rotated toward perceived quality, with USDT dominance rising to approximately 60%+.

At the same time, capital continued shifting into yield-bearing alternatives. The tokenized real-world asset (RWA) market is estimated at over \$30 billion, depending on classification methodology, led primarily by tokenized U.S. Treasuries and the early expansion of on-chain private credit instruments.

The deleveraging that triggered this reset was severe. On November 21, the market saw approximately \$1.9 billion in forced liquidations, with the majority of positions skewed toward the long side. This reset coincided with the Federal Reserve signaling a pause in its easing cycle, holding the Fed Funds Rate at 3.5%—3.75%, contributing to broader monetary stabilization heading into 2026.

Market Pulse Metrics (December Snapshot)



Stablecoin Market Cap

~\$300-\$305B

(Late Nov-Early Dec)

Temporary contraction during leverage reset



Tokenized RWAs

\$30B+

Rotation into Treasuries & Private Credit



USDT Dominance

~60%+

Flight to quality within stablecoins



Fed Funds Rate

3.5% - 3.75%

Easing cycle stabilising



Major Liquidation Event (Nov 21)

~\$1.9B

Long-side deleveraging

Macro & Demand Drivers

A. Global Liquidity: The "Silent" Expansion

While headlines focus on the Federal Reserve's recent pause and the domestic monetary policy debate, the global liquidity picture tells a fundamentally different story — one that suggests the next wave of risk asset appreciation may be quietly building beneath the surface volatility.

The M2 Money Supply Divergence

- Global M2 money supply is quietly expanding, driven primarily by coordinated liquidity injections from the People's Bank of China (PBoC) and the European Central Bank (ECB). China, facing prolonged deflation risks and a struggling property sector, has accelerated credit creation through both traditional bank lending channels and direct fiscal transfers. Meanwhile, the ECB — despite hawkish rhetoric — has maintained accommodative liquidity conditions to support heavily indebted eurozone periphery nations. This divergence between Fed tightening and global easing creates an asymmetric liquidity environment.
- Historically, crypto asset prices lag global M2 expansion by approximately three to six months. This lagged correlation exists because liquidity injections first flow through traditional banking systems, corporate balance sheets, and sovereign wealth channels before filtering into risk assets. If history holds, the current M2 expansion — particularly from the world's two largest trading blocs outside the US — should begin manifesting in digital asset valuations by Q1 to Q2 2026, precisely as the deleveraging washout completes.

Macro & Demand Drivers

The Treasury Link: A Sovereign Feedback Loop

- One of the most underappreciated structural shifts in the digital asset economy is the growing role of regulated stablecoin issuers in U.S. short-term debt markets. As regulatory frameworks such as the GENIUS Act establish strict reserve requirements for payment stablecoins, issuers are increasingly required to hold reserves in cash and short-duration U.S. Treasuries, positioning stablecoins as an extension of traditional dollar liquidity infrastructure rather than purely speculative instruments.
- At scale, this dynamic is becoming economically meaningful. With over \$300 billion in stablecoin supply, predominantly backed by U.S. dollar—denominated reserves, leading issuers now represent a material and recurring source of demand for U.S. Treasury bills. As on-chain dollar usage expands across payments, settlements, and tokenized asset markets, incremental stablecoin issuance translates into incremental demand for sovereign debt.
- This creates a reinforcing dynamic — a “sovereign feedback loop” — in which growth in on-chain economic activity supports demand for U.S. government securities, while Treasury-backed reserves enhance confidence, liquidity, and regulatory acceptance of stablecoins as a core financial settlement layer.

This dynamic has profound implications:

1. **Monetary Policy Transmission:** Stablecoins effectively extend the reach of US monetary policy into jurisdictions where dollar access is restricted or capital controls exist. A merchant in Lagos or Buenos Aires holding USDC is functionally holding a US Treasury-backed claim.
2. **Debt Market Stabilization:** In an era of rising deficits and concerns about Treasury market depth, stablecoin issuers provide a structural bid that absorbs supply during auctions — reducing rollover risk for the US government.
3. **Regulatory Symbiosis:** This alignment of interests explains the rapid regulatory clarity we've seen. The US government has a vested interest in the growth of compliant, reserve-backed stablecoins because they are now a pillar of Treasury demand. It's no coincidence that the GENIUS Act passed with bipartisan support.

Macro & Demand Drivers

For Toyow, this feedback loop validates the thesis that on-chain settlement rails are not a speculative experiment but a permanent feature of the financial architecture. As stablecoins become the settlement layer for real-world asset transactions, every property sale, commodity trade, or media rights transfer conducted on Toyow directly contributes to this sovereign feedback loop — making the marketplace not just a platform, but infrastructure aligned with national interests.

Historically, global liquidity expansions precede crypto asset repricing by 3—6 months.



Source: TradingView

B. Geopolitical Forces

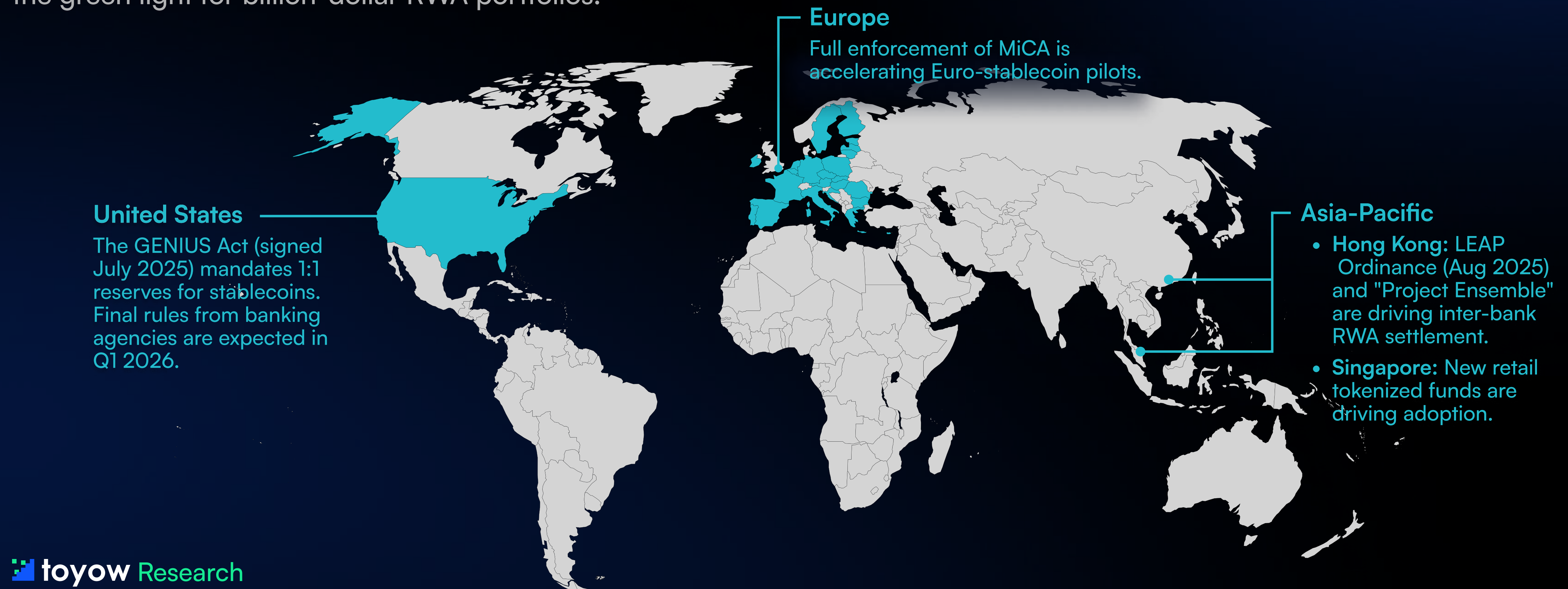
- **Monetary Sovereignty:** The dominance of USD-pegged stablecoins (99% market share) is effectively "dollarizing" emerging markets. In response, jurisdictions like the EU and Hong Kong are accelerating their own native-currency asset frameworks to retain monetary sovereignty.
- **Protectionism:** Renewed tariff threats from the US administration contributed to the risk-off sentiment in November, hitting global trade-reliant assets hard and driving capital toward non-correlated, domestic real assets.

Regulatory Landscape — Clarity as Catalyst

The regulatory fog is lifting, replacing "gray zone" operations with clear, license-driven frameworks.

From Wild West to Wall Street: Global Regulation Unlocks Institutional Confidence

Regulatory clarity is transforming the digital asset settlement layer from a source of risk to a source of strength, giving institutions the green light for billion-dollar RWA portfolios.



Regulatory Landscape — Clarity as Catalyst

A. United States: The GENIUS Act Era

- Status: Signed July 2025.
- Impact: Establishes a federal floor for payment stablecoins.
 - Mandate: Establishes a federal framework for fully backed stablecoins.
 - Outcome: Legitimizes stablecoins as banking infrastructure. We expect major US banks to launch proprietary stablecoins or tokenize deposits in 2026.

B. International Divergence (The Arbitrage Opportunity)

- European Union (MiCA): Fully enforced. Banks are piloting Euro-stablecoins, though strict e-money rules limit yield-bearing models for retail.
- Asia-Pacific (APAC):
 - Hong Kong: The LEAP framework and "Project Ensemble" are actively testing inter-bank settlement of tokenized real assets.
 - Singapore: MAS has approved retail-accessible tokenized funds (e.g., Franklin Templeton), positioning the region as a hub for wealth management.
- Launch Jurisdictions: BVI (British Virgin Islands) remains a key jurisdiction for initial token issuance due to its flexible yet compliant digital asset framework, serving as a bridge before expanding into stricter regimes like UAE/ADGM.

Infrastructure Maturation: The "Tokenization Stack"

The industry has moved from "building rails" to "running trains."

A. Asset Layer: The "Safety" Anchor

- **Tokenized Treasuries:** BlackRock's BUIDL fund (\$2.9B AUM) and Franklin Templeton's FOBXX have proven that government debt can live on-chain.
- **Private Credit:** Platforms such as Centrifuge are bringing private credit on-chain, representing early but growing institutional adoption of transparent, on-chain credit infrastructure.

B. Settlement Layer: Stablecoins & L2s

- **Atomic Settlement:** Stablecoins are the settlement rail. Corporate treasuries (Visa, PayPal) are using them for 24/7 liquidity management.
- **The Cost Collapse:** Layer-2 networks (like Base, Arbitrum) have driven transaction costs below \$0.01. This is the unlocking mechanism for fractionalization. It is now economically viable to trade \$50 worth of tokenized real estate or art without gas fees eating the margin.

C. Interoperability: The Unified Ledger

- **Fragmentation Solved:** Protocols like LayerZero and Chainlink CCIP are enabling assets to move seamlessly between chains.
- **Toyow Strategy:** This validates a chain-agnostic marketplace approach. While the Toyow utility token operates on Base to leverage the Coinbase ecosystem's liquidity and KYC stack, the Toyow Marketplace remains multi-chain, aggregating assets from Ethereum, Polygon, and Solana into a unified user experience.



Data Source: RWA.xyz

Market Outlook: 2026 Scenarios

The "Consolidation & Infrastructure" Cycle

Base Case (60% Probability):

- Consolidation: Bitcoin and majors consolidate through Q1 2026 as leverage washes out.
- Rotation: Capital rotates from volatile altcoins into Yield-Bearing RWAs (Private Credit, Real Estate) as investors seek stable 8-12% APYs over speculative 100x bets.
- Adoption: Stablecoin market cap stabilizes ~\$310B, with institutional issuers taking market share from legacy providers.

Bull Case (20% Probability):

- Fed Pivot: Economic data weakens, forcing the Fed to cut rates aggressively in H1 2026.
- Risk-On: Global liquidity flood lifts all assets; RWA market accelerates to \$100B+ as corporate treasuries seek on-chain yield.

Bear Case (20% Probability):

- Regulation Shock: Aggressive enforcement actions in the US post-GENIUS implementation stifle innovation.
- Geopolitics: Trade wars strengthen the DXY significantly, crushing dollar-denominated risk assets.

Market Outlook: 2026 Scenarios

A Favourable Macro Backdrop: The Fed Anchors Demand for On-Chain Dollars

The Fed's final rate cut of 2025 to 3.5%-3.75% paradoxically strengthens the case for digital US dollar instruments, reducing the opportunity cost of holding digital assets while shoring up the liquidity that backs them.

December 10th Decision

- Federal funds rate cut by 25 bps to 3.5%-3.75%.

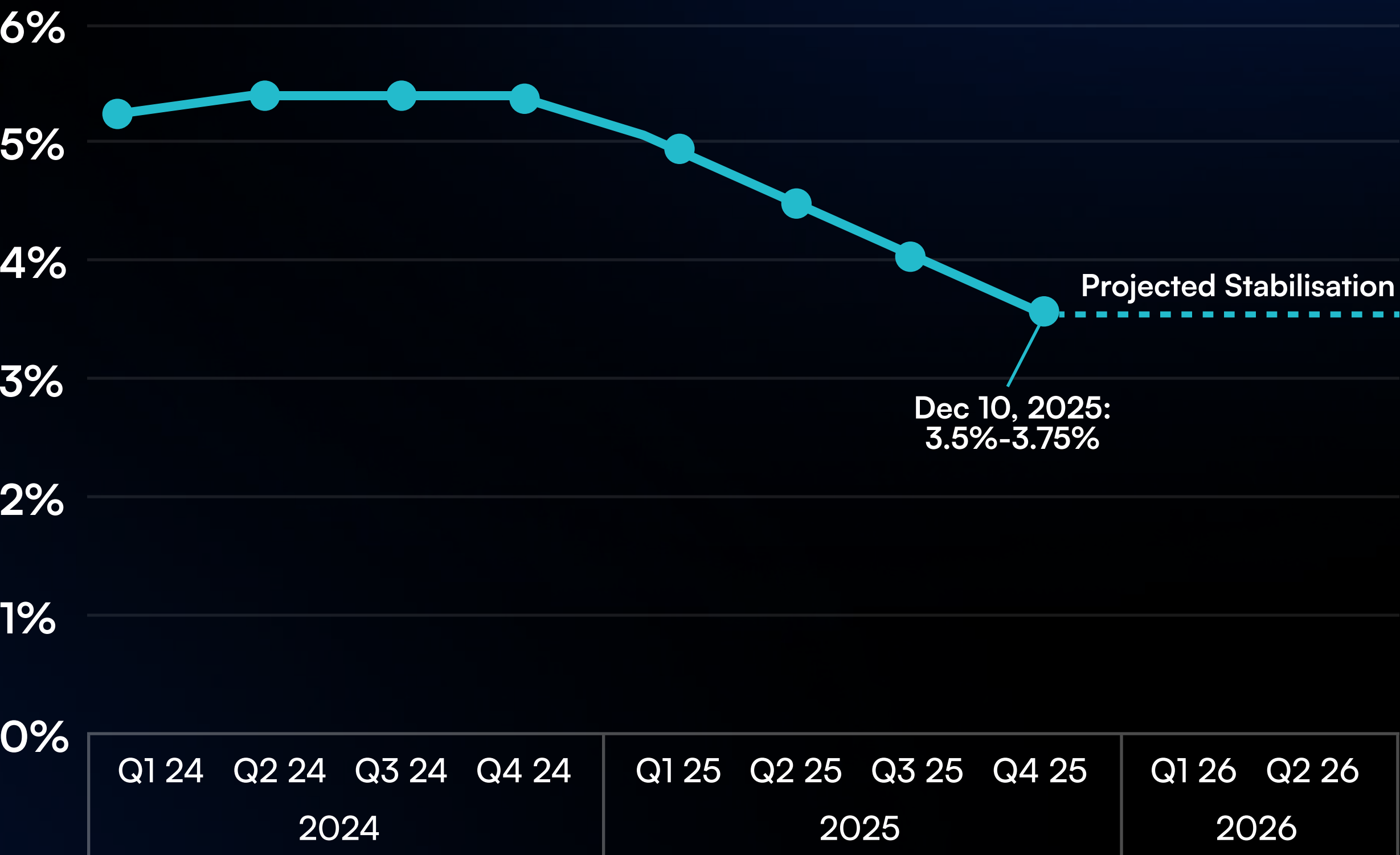
Liquidity Support

- Ongoing Fed Treasury bill purchases (\$40B/month) directly support the collateral reserves of major stablecoin issuers.

2026 Outlook

- The market expects a 'pause or hold' scenario, underpinning demand for yield-bearing tokenized assets as real rates remain flat.

Federal Funds Rate (2024-2026)

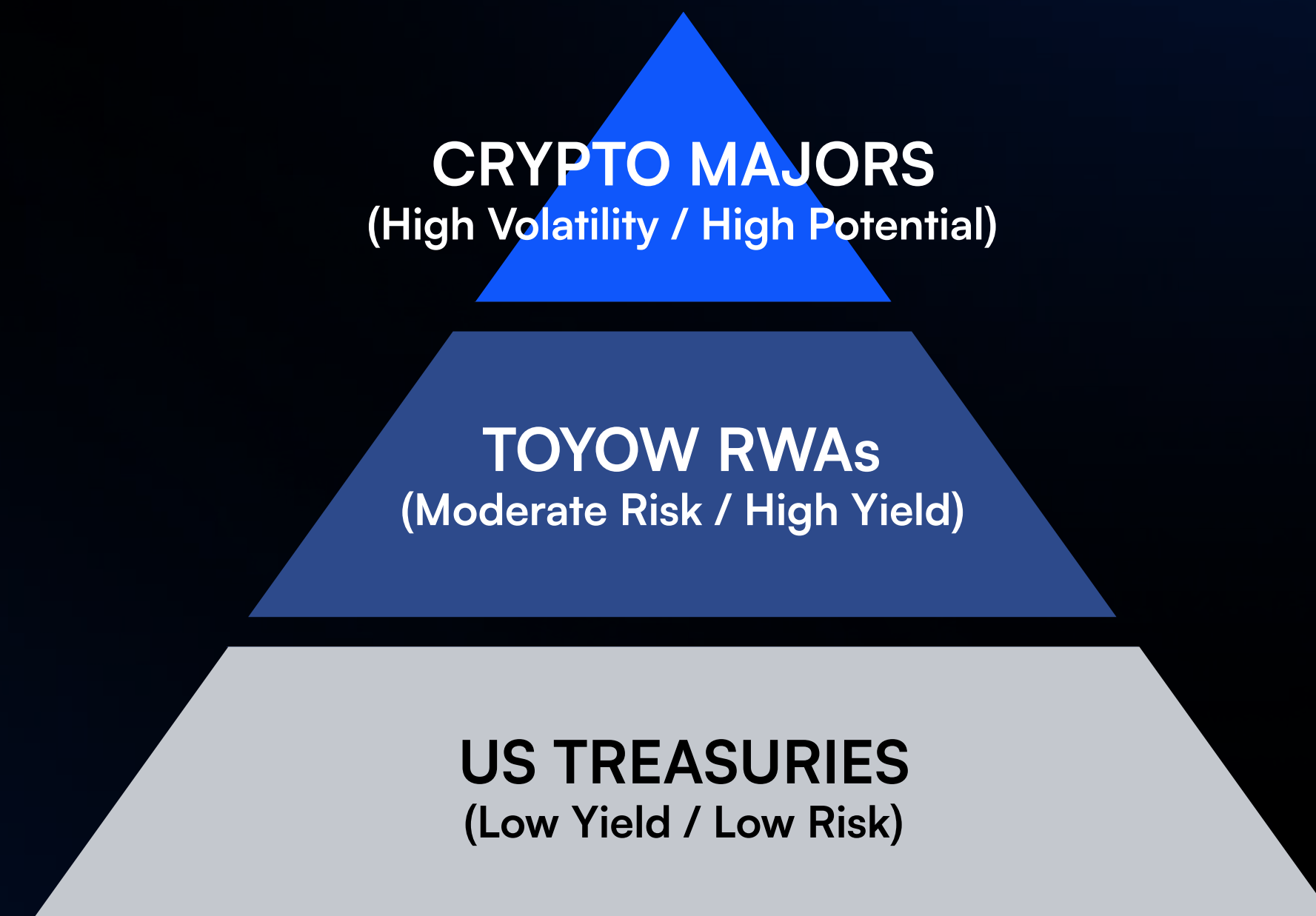


Strategic Implications for Toyow

1. Narrative Pivot: We are moving from "Crypto Investing" to "Digital Asset Diversification". The value prop is no longer just "number go up," but "access to previously illiquid, high-yield real assets."
2. Infrastructure Advantage: By utilizing Base for the \$TTN token, we align with the "regulated DeFi" narrative (Coinbase/Circle ecosystem). By keeping the marketplace multi-chain, we ensure access to the deepest liquidity pools for underlying assets.

The "Yield Hierarchy": Use this market downtime to educate institutions.

- Crypto = High Volatility / High Beta.
- Treasuries = Low Volatility / Low Yield (Risk-Free).
- Toyow RWAs = Moderate Volatility / High Yield (Alpha).



Yield Hierachy Pyramid

Glossary of Key Terms

Alpha / Beta

Beta refers to returns driven by overall market movements and broad asset volatility. Alpha refers to returns generated from asset-specific performance that is not directly correlated with broader market cycles.

Deleveraging

The forced reduction of leveraged positions through liquidations, typically occurring during periods of heightened market stress and volatility.

GENIUS Act

The Guiding and Establishing National Innovation for U.S. Stablecoins Act, signed in July 2025, which establishes a federal framework for payment stablecoins backed by high-quality reserves.

Layer-2 (L2)

Scaling frameworks built on top of base blockchains (such as Ethereum) that enable faster transaction processing and significantly lower transaction costs.

M2 Money Supply

A broad measure of money supply that includes cash, checking deposits, and near-money instruments, commonly used as an indicator of global liquidity conditions.

MiCA (Markets in Crypto-Assets)

The European Union's comprehensive regulatory framework for digital assets, providing legal clarity for crypto markets across EU member states.

Real-World Assets (RWAs)

Physical or financial assets—such as real estate, commodities, or government securities—that are tokenized and represented on a blockchain.

Stablecoins

Digital assets designed to maintain price stability, typically pegged to a fiat currency, and used as settlement instruments within digital asset markets.

Tokenized Treasuries

Blockchain-based representations of short-term U.S. government debt instruments, enabling on-chain capital to access sovereign yields.

Data Sources & Reference Frameworks

This report draws on publicly available regulatory disclosures, institutional publications, and market data platforms commonly used by policymakers, financial institutions, and digital asset infrastructure providers.

Regulatory Frameworks

- United States: GENIUS Act of 2025 ([Congress.gov](https://www.congress.gov))
- European Union: Markets in Crypto-Assets (MiCA) Regulation
- Hong Kong: HKMA Project Ensemble and LEAP framework

Market Data & Analytics

- Stablecoin market capitalization and volume metrics (CoinMarketCap)
- Global liquidity indicators (Federal Reserve Economic Data — M2)
- Real-world asset ecosystem data (RWA.xyz)

Institutional Reference Points

- BlackRock USD Institutional Digital Liquidity Fund (BUIDL)
- Franklin Templeton OnChain U.S. Government Money Fund (FOBXX)
- On-chain private credit infrastructure (Centrifuge)

DISCLAIMER

This report has been prepared and issued by Toyow for publication globally. It synthesizes publicly available information from on-chain analytics platforms, regulatory publications, central bank communications, and institutional disclosures believed to be reliable as of the report's data cut-off period. However, Toyow does not guarantee the accuracy, completeness, or timeliness of the information contained herein.

Risk Warning: Crypto asset trading involves a high degree of risk. The crypto asset market is relatively new and unproven, and may not grow as expected. Currently, crypto assets see relatively small use in retail and commercial marketplaces compared to their use by speculators, contributing to price volatility that could adversely affect your investment. You should only participate in crypto asset trading if you are capable of evaluating the merits and risks of the investment and can bear the economic risk of losing your entire investment.

No Investment Advice: Nothing in this report constitutes or should be considered as an offer by Toyow and/or its affiliates to sell, or a solicitation of any offer to buy, bitcoin or other crypto assets or derivatives. This report is provided for information and research purposes only and should not be construed or presented as an offer or solicitation for any investment. The information provided does not constitute a prospectus or any offering document and does not contain or constitute an offer to sell or solicit an offer to invest in any jurisdiction.

Forward-Looking Statements: Readers are cautioned that any forward-looking statements contained herein are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors.

Not Professional Advice: The information contained herein should not be considered as economic, legal, tax, or other professional advice. Users are cautioned against basing investment decisions or other decisions solely on the content of this report. Always consult with qualified professionals before making investment decisions.

Enjoy insights like these?

Subscribe to Toyow Newsletter

www.toyow.com

