

Data Focus

Unpacking Stablecoin's Dual Drivers

April 8, 2025

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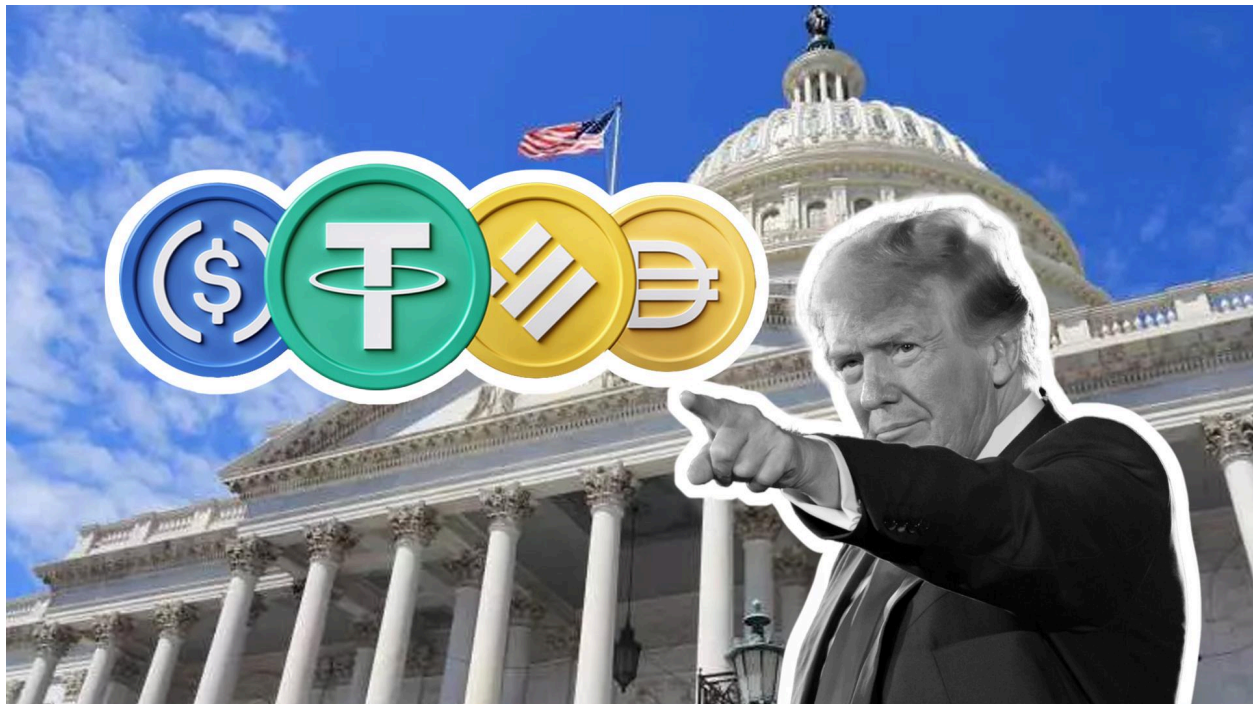
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Source: Presto Research

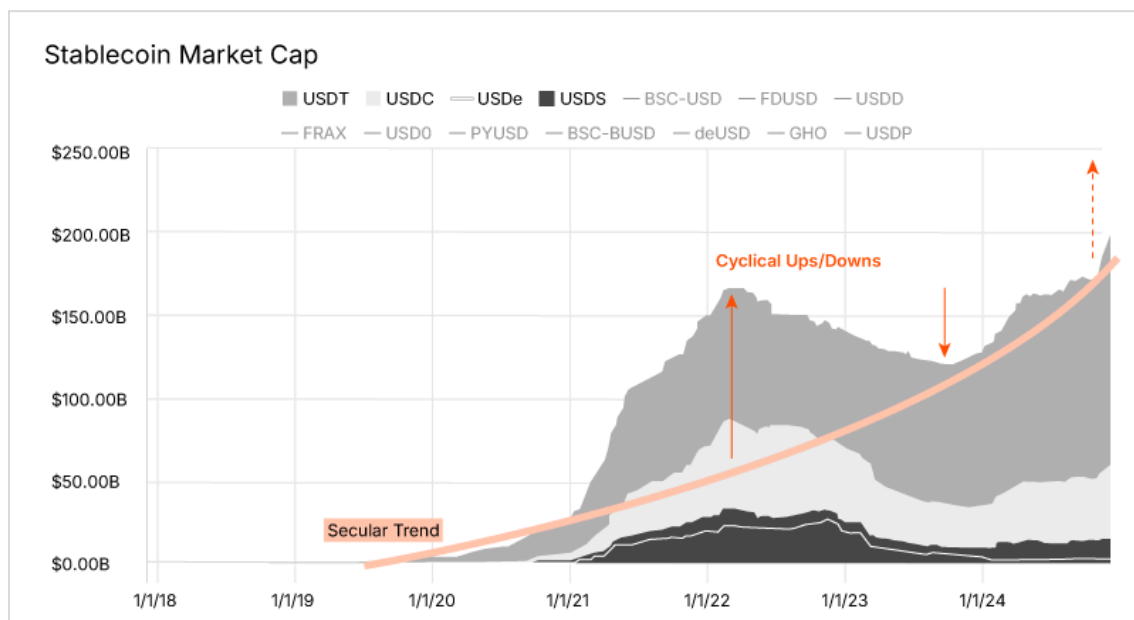
Summary

- We maintain our \$300B stablecoin market cap forecast for 2025, based on estimated secular and cyclical quarterly growth rates of 7.9% and 17.1%, respectively.
- USDT TRC-20 best proxies real-world use cases – remittances and USD access in emerging markets – while other stablecoin supplies, tied to crypto-native returns, fluctuate with on-chain yield spreads vs. the 3-month T-bill.
- Non-USD stablecoins won't drive the sector meaningfully; USD fits blockchain as the global currency needing borderless exchange, a process enhanced by decentralization, unlike local currencies that rarely need to cross borders.

1. Introduction

Presto Research's 12/16/24 report, '[From Chaos to Clarity: 2024 Crypto Market Review & 2025 Forecasts](#)' (hereafter *2025 Forecasts*), briefly touched on stablecoins growth outlook. Given their growing relevance in the Trumpian world, this report takes a deeper dive. We expand the thesis that stablecoin growth splits into secular and cyclical trends, quantify their growth rates, and update our 2025 growth forecast based on the new findings.

Figure 1: What Drives The Secular and Cyclical Trends?



Source: rwa.xyz, '2025 Forecasts,' Presto Research

2. Secular Trend

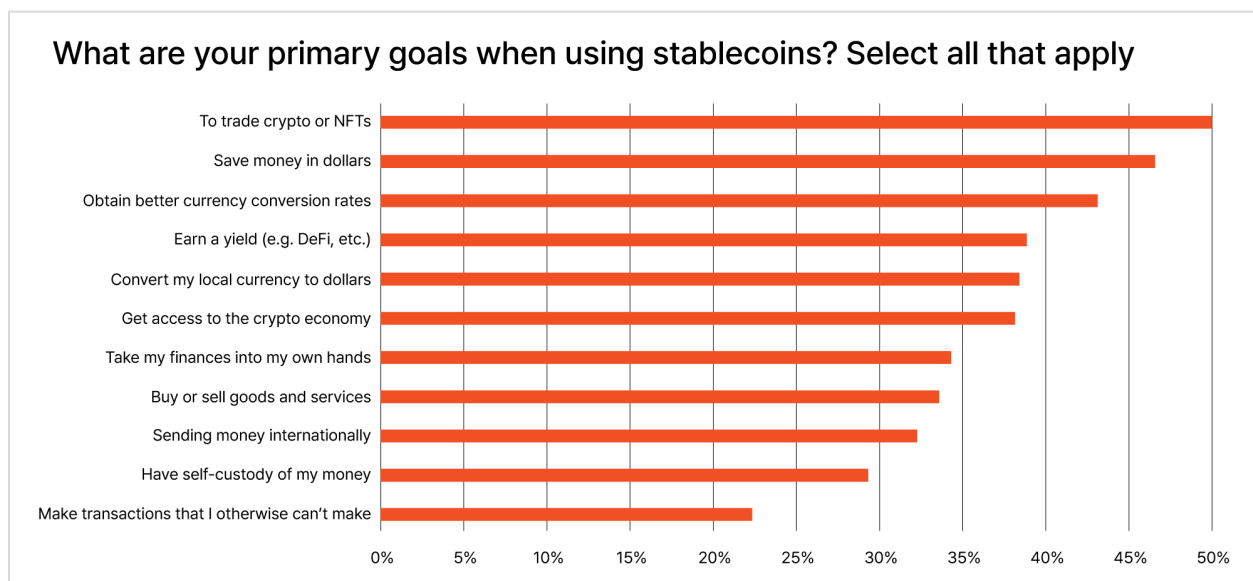
The secular trend refers to a long-term trend unaffected by short-term boom-bust cycles. It is typically slow, subtle, and persistent, distinguishing genuine innovations from fleeting hypes. For stablecoins, this trend is driven by their use in payments, remittances, and as a store of value in everyday economics, rather than speculative trading by crypto enthusiasts. Castle Island Ventures and Brevan Howard explored this in their September survey, '[Stablecoins: The Emerging Market Story](#)' (hereafter *SEMS*). This section builds upon their valuable work.

2.1. Emerging Markets Drive Real-World Use

Stablecoins find their primary real-world use outside the U.S., not within it. Inside the U.S., the dollar functions reasonably well within the legacy system, so tokenized versions offer little added value. In contrast, emerging markets face a strong demand for U.S. dollars but struggle with regulatory and technical barriers in the traditional system, limiting public access. Here, tokenized U.S. dollars on frictionless value-exchange rail provide clear advantages.

Quantifying this trend is difficult due to data collection challenges in emerging markets, but the SEMS offers valuable insights. Through surveys in five key crypto-emerging markets – Brazil, India, Indonesia, Nigeria, and Turkey – the SEMS highlights practical, real-world applications of stablecoins, as summarized in Figure 2.

Figure 2: Using Stablecoins in Everyday Economics



Source: SEMS

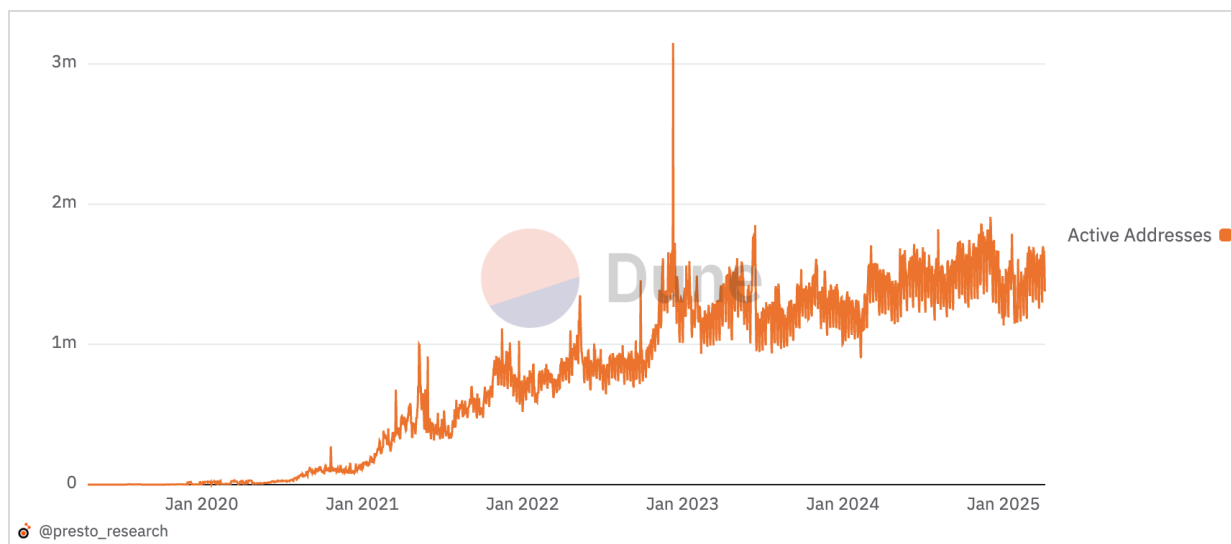
Most of the eleven items listed qualify as real-world use cases, except for three: "To trade crypto or NFTs," "Earn a yield," and "Get access to the crypto economy."

2.2. Captured By TRC-20 USDT

Several factors suggest USDT is the leading stablecoin in emerging markets. Its issuer, Tether, operates offshore, outside U.S. jurisdiction. About half of USDT supply is issued on the Tron network, a Layer 1 blockchain favored in emerging markets for its low and stable network fee. Anecdotal evidence reinforces this, such as Tether's plan to make USDT available at over 2,400 ATMs in Brazil.¹

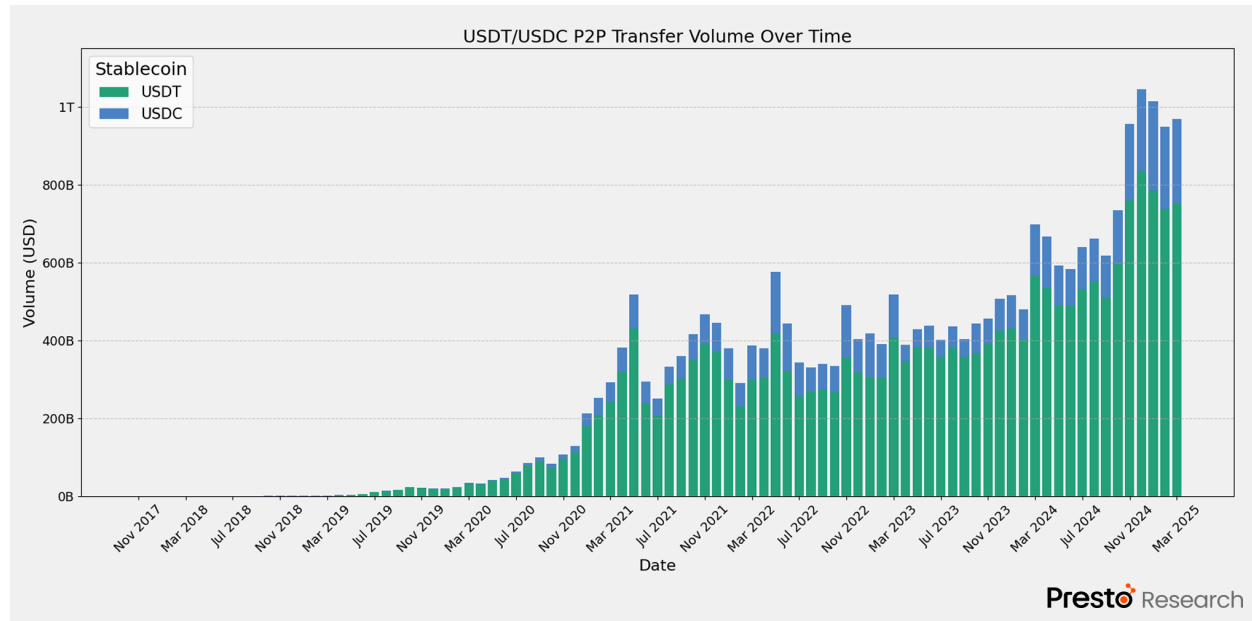
Onchain data further confirms this trend. TRC-20 USDT's active addresses have steadily risen over the years, unaffected by market cycles (Figure 3). Its P2P on-chain transfer volume, which excludes transactions involving centralized entities such as exchanges and OTC trading platforms, consistently outperforms its peers (Figure 4). This is striking given Tron hosts only 35 apps/protocols – 1/40th of Ethereum's 1,318 – indicating TRC-20 USDT is primarily used for straightforward payments, unlike ERC-20 USDC, whose transactions are largely driven by Ethereum's vast and complex DeFi ecosystem (Figure 5).

Figure 3: TRC-20 USDT Active Addresses Count



Source: Presto Research

¹ [Tether USDT Available in Over 24,000 ATMs Across Brazil on 3 November](#), 10/20/22, Tether

Figure 4: USDT Dominates in P2P On-chain Transactions

Source: Artemis, Presto Research

Figure 5: Comparing TVL & Protocols Across Major Chains

Chain	Number of Protocols	DeFi TVL	Stablescoins
Ethereum	1,318	\$50.7B	\$125.4B
Solana	208	\$6.7B	\$12.5B
Tron	35	\$5.3B	\$66.2B
BSC	867	\$5.2B	\$7.1B

Source: DeFiLlama (as of April 2, 2025)

2.3. What Drives Secular Growth?

The growth of stablecoins' real-world usage is a slow, grinding process driven by the development of physical and digital distribution networks, consumer education, and network effects. Tether CEO Paolo Ardoio articulated this in a rare podcast², stating:

Tether built, and is currently building and investing in the biggest physical and digital distribution network in the world [...] outside the U.S., there are billions of people trying to get on the dollar [...] It is about bringing three billion people that are unbanked and never had a chance to be part of the financial system, not because these are bad people, but just too poor to be of interest to the banks [...] So USDT is the only solution for them [...] A smartphone can host a wallet and can have USDT [...] We have invested in companies that

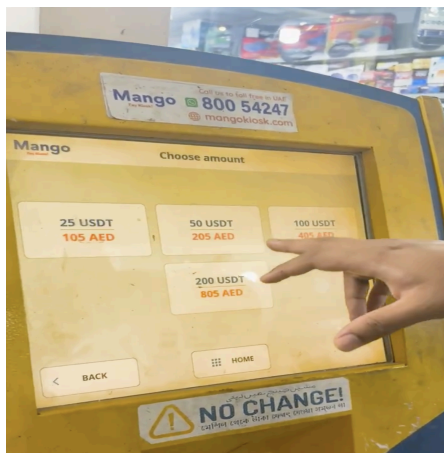
² Tether's \$13.7 Billion in Profits with Paolo Ardoio, Bitcoin Fundamentals, The Investor's Podcast Network, 2/25/2025

are building hundreds of thousands of kiosks around the world from Africa, Central/South American, and Asia.

The process resembles the brick-by-brick construction of railways or power grids, but targets a vastly underserved sector per capita. Multicoin's Kyle Samani also aptly stated³:

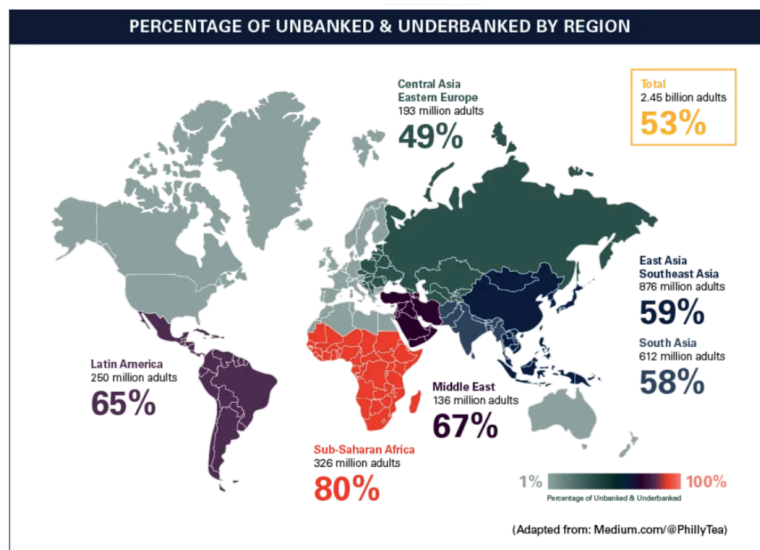
There's 8 billion people on the planet. If you could [...] ask them, you can denominate your wealth in any asset—gold, Apple stock, S&P 500, euros, yen, whatever you want— [...] I suspect five to seven billion of them would say U.S. dollars. It's probably the single largest arbitrage ever in human history [...] If you think that's what they want, then give it to them. And crypto rails are going to be the mechanism by which you do so.

Figure 6: USDT Distribution, Brick by Brick



Source: @akashneele, X

Figure 7: "Single Largest Arbitrage in Human History"



Source: Financial Inclusion: Examining Inequality in Africa's Financial Landscape, Clinton Creations, Medium

³ Digital Asset Summit 2025, NYC, March 26, 2025

3. Cyclical Trend

The cyclical trend refers to a seasonal pattern driven by recurring boom-bust cycles. It is transitory, but can be rapid and pronounced, quickly consuming attention and often leading to over or under-shooting. For stablecoins, this trend is driven by crypto market cycles, layered atop the steady, slow secular growth trend.

3.1. Cycle-Driven Demand

Stablecoins first emerged as a settlement medium for traders, a use that remains popular today. They serve as a gateway to crypto trading, linking legacy banking with the crypto ecosystem, with creation and redemption tied to investors' appetite for crypto-native returns. This usage thrives in developed markets with established infrastructure, though SEMS data shows it also features in emerging markets, as seen in three use cases: "To trade crypto or NFTs," "Earn a yield," and "Get access to the crypto economy (Figure 2)."

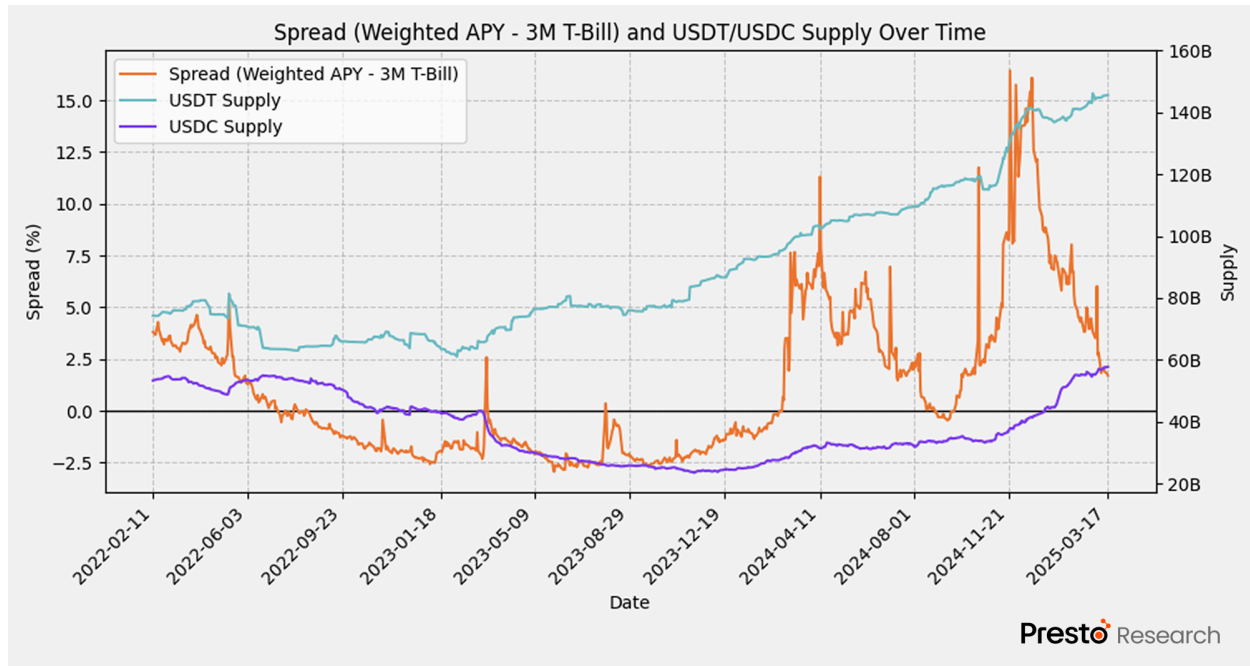
Undeniably, the crypto market's allure as a return-seeking venue, compared to traditional finance, drives this cyclical trend. Past stablecoin supply expansions during bull markets support this view. Bull markets increase opportunities and speculators' demand for stablecoins, with unmet demand spurring stablecoin loans and higher lending rates; bear markets reverse this dynamic.

3.2. Relationship Between On-chain Yield Spread & Stablecoin Supply

Crypto's return outlook compared to traditional finance is best captured by the short-term USD interest rate spread between the two ecosystems, but quantifying the spread can be tricky. The 3-month T-bill can serve as a risk-free rate proxy for traditional finance, but finding an equivalent in crypto is challenging due to the lending market's nascency and decentralized nature.

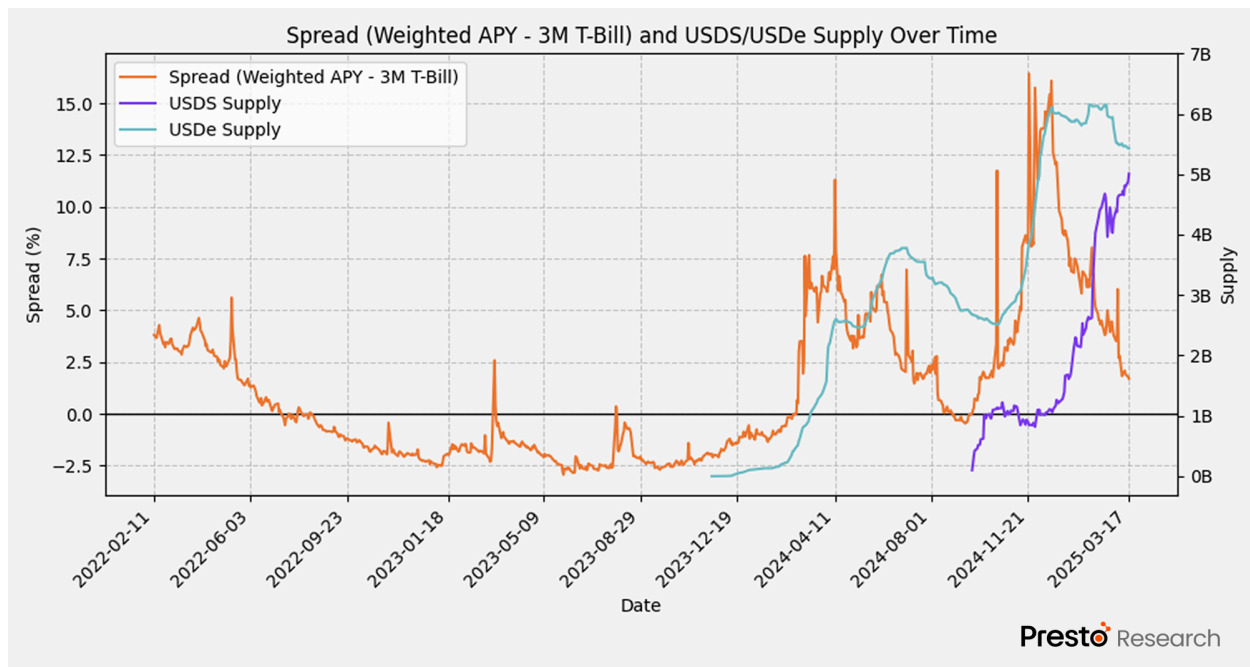
Nonetheless, we've constructed a time-series comparing on-chain yields to the 3-month T-bill. For the on-chain benchmark, our method uses a TVL-weighted average of USD stablecoin APYs from over 2,000 lending protocols on DefiLlama. This is then plotted against major USD stablecoin supplies (USDT, USDC, USDS, and USDe) to assess any discernible relationship between the two (Figure 8 and 9).

Figure 8: USDT & USDC Supply vs. On-chain Yield Spread



Source: DefiLlama, Presto Research

Figure 9: USDS & USDe Supply vs. On-chain Yield Spread



Source: DefiLlama, Presto Research

3.3. DeFi Usage Dominates USDS, USDe

Stablecoin supply trends during June 2022–March 2024 and August–September 2024 provide a couple of interesting insights. First, these periods saw the on-chain yield spread turn negative,

aligning with declines in USDC and USDe supplies. It suggests the spread affects the growth of these stablecoins. Second, USDT sustained its supply level during these periods, unaffected by the negative yield spread. It implies that its demand stems more from non-speculative uses, unlike the others.

This is also evident when examining the percentage of stablecoin supplies locked as TVL in DeFi protocols. USDS leads, followed by USDe, USDC, and USDT (Figure 10). The pattern is rather clear: real-world demand fuels USDT, while investment demand drives the others.

Figure 10: For Some Stablecoins, Yield is the Raison D'être

Stablecoin	Locked in Yield Pool	Supply	Yield Pool / Supply
USDS	\$4,508,950,688	\$5,010,155,267	90.0%
USDe	\$4,096,114,522	\$5,428,151,261	75.5%
USDC	\$3,571,257,941	\$57,662,025,614	6.2%
USDT	\$2,127,124,503	\$145,533,410,950	1.5%

Source: DeFiLlama (as of March 18, 2025)

4. Expanding on 2025 Prediction

With better understanding of what constitutes growth drivers, in this section, we re-visit our assessment of the 2025 stablecoin sector outlook, as first outlined in *2025 Forecasts*.

4.1. Separating Secular and Cyclical Trends

We re-iterate our forecast for a \$300bn stablecoin market cap, vs. the \$229bn market cap currently, but provide granularity for the secular and cyclical trends as shown in Figure 11-14.

Figure 11: Estimating Secular Growth Rate...

	USDT TRC-20 ²	No. of Days	Growth Rate		
			Daily	Monthly	Quarterly
6/20/2022 ¹	32,163M				
3/15/2024	54,807M	634	0.08%	2.55%	7.86%

Note:

1. We assume that USDT TRC-20's growth trend during the June 2022-March 2024 period, when the on-chain yield spread remained negative, best captures the stablecoin's non-speculative demand.
2. We assume that any speculative stablecoin demand during this period, if any, was primarily captured by other stablecoins such as USDT ERC-20, USDC, etc., and not USDT TRC-20.

Source: rwa.xyz, Presto Research

Figure 12: ...and Cyclical

	Stablecoin Total Supply [A]	USDT TRC-20 ² [B]	DeFi Usage [A]-[B]	No. of Days	Growth Rate		
					Daily	Monthly	Quarterly
6/15/2020 ¹	9,990M	2,780M	7,210M				
4/3/2025	228,281M	64,997M	163,284M	1,754	0.18%	5.48%	17.37%

Note:

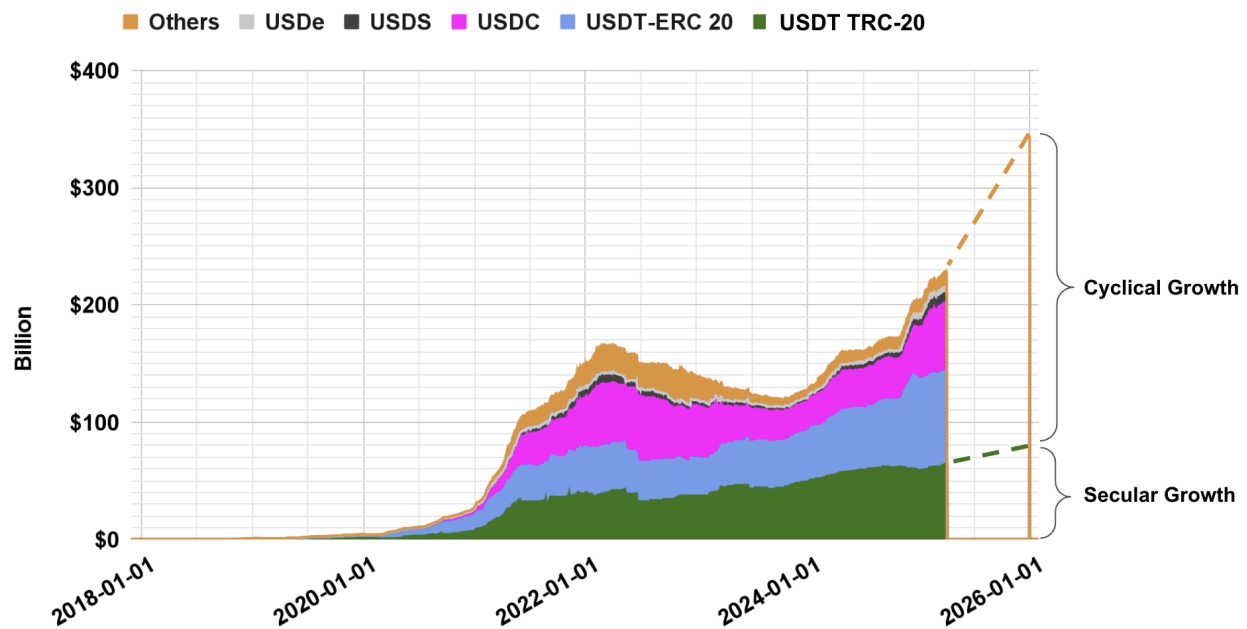
1. We assume that stablecoin's DeFi usage started with Compound's token launch on June 15, 2020, which kicked off the DeFi Summer of 2020.
2. We assume that the primary use case for USDT ERC-20 is DeFi.

Source: rwa.xyz, Coinmarketcap, Presto Research

Figure 13: Breaking Down Stablecoin Growth Forecast

	Secular Growth	Cyclical Growth	Stablecoin Total Supply (Forecast)
Tokens	USDT TRC-20	USDT ERC-20 USDC, USDS, USDe, Others	
Growth Rate (Quarterly)	7.86%	17.37%	
Growth Rate Volatility	Low	High	
1Q25	\$65B	\$163B	\$227B
2Q25	\$70B	\$191B	\$261B
3Q25	\$75B	\$224B	\$300B
4Q25	\$81B	\$263B	\$344B

Source: rwa.xyz, Coinmarketcap, Presto Research

Figure 14: Secular Growth with Cyclical Overlay


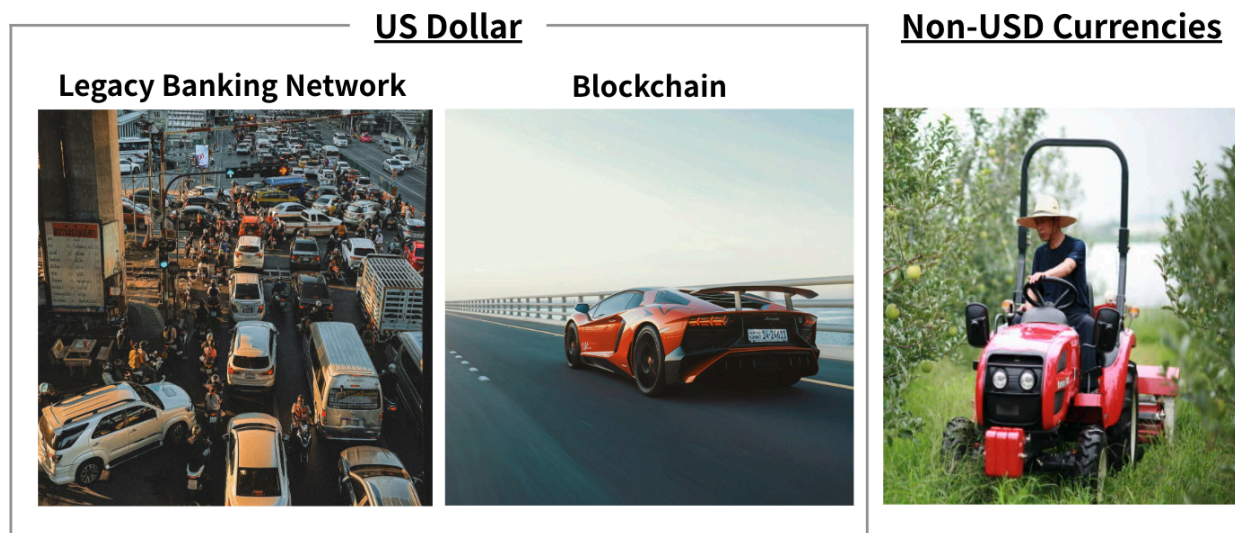
Source: rwa.xyz, Coinmarketcap, Presto Research

The biggest risk to our forecast lies in cyclical growth. If the 3-month T-bill rate exceeds our benchmark on-chain yield, turning the spread negative again, the cyclical growth driver could drag significantly due to capital flight into legacy banking, pressuring our forecast. However, this risk seems low currently, as recent financial market turmoil has raised expectations for Fed rate cuts.⁴

4.2. Don't Hold Breath For Non-USD

Another theme explored in the 2025 Forecasts report is non-USD stablecoins. We argued that 99% of stablecoins are USD-pegged because USD, as the global currency, crosses borders frequently as the dominant medium of exchange in global trade – an activity far more efficient on a decentralized network without intermediaries. We noted: “if the asset is ‘local’ in nature – such as the fiat currency of a non-major, closed economy [...] valued only by a small, localized community [...] achieving the 10x leap necessary for large-scale, sustainable adoption [of local currency stablecoin] will be significantly more challenging.”

Figure 15: ‘Value Superhighway’ Is Not For Everyone



Source: Pexels, Presto Research

This strongly suggests that non-USD stablecoins are unlikely to drive the stablecoin sector meaningfully. Many nations are exploring stablecoins pegged to their own currencies as the Trump administration fully backs USD stablecoin initiatives, but such non-USD efforts will likely disappoint unless paired with broader moves to internationalize the respective fiat currency.

⁴ As of April 4, 2025, CME futures imply 100bp in rate cuts by year-end.

5. Final Words

Stablecoins offer a profound lesson for blockchain adoption: it's always been about demand. History has shown plenty of suppliers – tokens, protocols, platforms – but pinpointing genuine demand has been the holy grail. Stablecoins cracked it, yet too few pause to ask why. This oversight is a shame, as their success lights the path to blockchain's next big application.

Through this report, we've aimed to unpack that why. Stablecoins thrive not on untested hype, but on a proven value proposition: frictionless value exchange for both speculative and real-world needs. The cyclical surges – tied to crypto's boom-bust cycles – reveal speculators' demand alongside market swings. Meanwhile, USDT's steady secular climb, fueled by real-world use in emerging markets, proves demand beyond trading desks.

From kiosks in Brazil to remittances in Africa, stablecoins bridge gaps the legacy system ignores. While DeFi degens chase yields, USDT's growth shrugs off yield spreads, rooted in everyday utility. Data confirms this: some stablecoin supplies track market cycles, yet USDT's ascent persists, built brick by brick through physical and digital networks. Stablecoins' 12-year journey reveals a blueprint: identify the need, prove the use, scale the solution. That's the lesson.

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