

In brief | Beyond stablecoins: The tokenization story

Atul Bhatia, CFA – Minneapolis

Interest payments on stablecoins dominate policy discussions, but in our executive summary of ***Bridging worlds: Tokenization connects digital and physical assets***, we discuss why investors need to focus on the process, not the product.

It has been just over a year since the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act became law. That legislation laid out a regulatory framework for stablecoins, or electronic tokens designed to maintain parity with traditional currencies. Since its passage, the conversation on the rules has focused on a provision prohibiting stablecoin issuers from paying interest.

Proponents of that limitation argue that it is an important safeguard against possible runs on traditional banks, while opponents point out the negative impact on stablecoin adoption.

As we argue in our recent [special report](#), however, this debate seems to us largely misplaced. Interest payments on stablecoins are, we believe, a tangential issue at most in terms of banking stability. Instead, what we think is revolutionary about stablecoins is the launch of a tokenized version of a mainstream asset. That, we think, is where investors need to focus their attention, not on the minutiae of interest paying policy.

Stablecoins: From niche tool to \$300 billion market

Stablecoins began as a liquidity and temporary holding vehicle for cryptocurrency investors. The purpose of the coin was merely to hold its value, so investors could

stay in the crypto ecosystem and not have to return to standard banks. The promise was that a dollar stablecoin would maintain a one-to-one valuation with the real-world dollar, a condition known as parity.

Despite a few well-publicized failures, money continued to flow into stablecoins, with the asset class growing from approximately \$5 billion in 2019 to nearly \$300 billion today. That growth drew regulatory attention, culminating in the GENIUS Act.

The Act includes a series of requirements for stablecoins, including pre-approval of issuers, a strict one-to-one reserve requirement, and a very restrictive list of permitted investments. Issuers are required to hold highly liquid, short-maturity investments with low credit risk.

The interest payment debate: A distraction from what matters

The combination of liquidity and low credit risk makes stablecoins a potential competitor to traditional bank accounts. The potential for substitution drove the GENIUS Act's prohibition on interest payments. The concern was that in times of banking crisis, the existence of an interest-paying substitute could spark or accelerate a run by depositors.

For perspectives on the week from our regional analysts, please see [pages 3–4](#).

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While the theory appears sound, there are serious practical difficulties with the argument:

- **Existing alternatives** – Investors who want an interest-paying substitute for a bank account already have multiple options, including money market funds, bond ETFs, and even buying a Treasury bill directly from the government. Why stablecoins should be singled out as high risk is unclear to us.
- **Return of capital** – If a depositor is truly worried about his or her account being repaid, interest is hardly a major concern. Even at five or six percent, the accrued daily interest pales in comparison to loss of principal.
- **Depositor restrictions** – Most banks require corporate borrowers to maintain specific account balances, making it impossible to pull funds.

In short, while we believe the bank run argument has sound theoretical underpinnings, it flies in the face of actual depositor behavior across multiple banking crises.

Tokenization: Certainty and efficiency

Rather than the minutiae of interest rate payments, what we find interesting about stablecoins is their role as a tokenized version of a mainstream financial asset. Without interest, we can think of stablecoins as a tokenized dollar; with interest, we can think of them as a tokenized government money market fund.

There are various definitions of tokenization, but the hallmark is the representation of ownership of physical assets in a blockchain/digitally verified form. What this means is that anyone with access to the digital ledger can instantly know who owns what, and that ownership can be securely and almost instantly transferred to anyone.

That may not sound revolutionary, but it effectively severs the current trade-off between establishing certainty of ownership and the efficiency of transferring assets.

Take real estate, for instance. There, certainty of ownership is prioritized through a central register, scrupulously controlled by government officials with multiple confirmations before any change is registered. It's safe, but it comes at the cost of slow, inefficient, and expensive transfer procedures.

On the other side, we have the market for borrowing against receivables, which operates largely on emailed spreadsheets. It's extremely fast and efficient, but the documents provide no certainty of ownership, allowing the same collateral to be pledged to multiple lenders.

The strength of tokenization is that it solves for both clarity and efficiency. Blockchain ledgers provide certainty of ownership; digital platforms provide for efficient transfer. Because the register is central and public, malicious actors can't resell the same asset multiple times, but legitimate transactions are processed rapidly.

The path ahead

Tokenization has already begun to play a role in how banks settle certain transactions, a process that we believe will continue to expand. Not only is it more cost-efficient to settle on blockchain, but shorter settlement times also reduce intraday counterparty risk, giving investors and regulators reasons to smile.

Beyond financial settlements, we expect tokenization growth to continue in three main areas:

- **Collateral expansion** – The U.S. Federal Reserve estimates nearly \$6 trillion in trade receivables is held by non-financial companies. By providing clarity of ownership and efficient transfers, tokenization could help unlock financing opportunities, particularly for smaller companies.
- **Cheaper transfers** – Particularly in real estate, tokenization could offer lower cost transfers while preserving certainty of ownership.
- **Divisibility of assets** – Tokenization allows for fractional ownership stakes, potentially allowing homeowners to diversify their investment portfolios while remaining in their houses.

The primary obstacle to tokenization, in our view, is updating legal frameworks so that blockchain registers are legally enforceable in the physical world. Given the benefits of the process, we believe it is a question of when, not if.

Moving into the mainstream

At first glance, stablecoins appear to be about facilitating digital payments and a move beyond online banking into something approaching virtual currency. While that is a fair summary of what the product could be, we think it misses the forest for the trees. We think the true impact of stablecoins will be in moving the concept of tokenization into the mainstream. For more on this topic, see our full report, [Bridging worlds: Tokenization connects digital and physical assets](#).

UNITED STATES

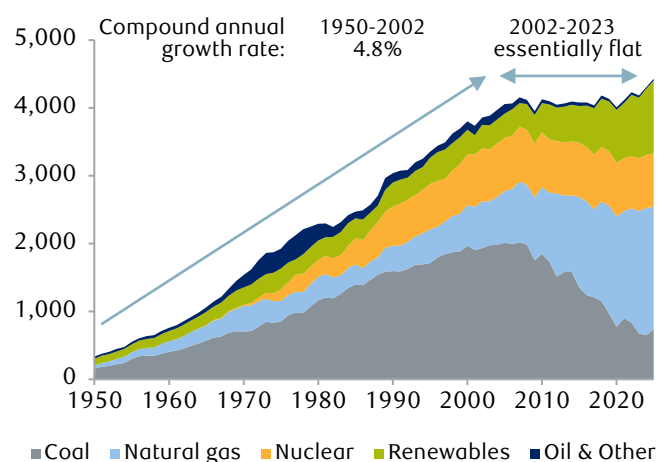
Tyler Frawley, CFA – Minneapolis

■ **Power generation and grid capacity are emerging as key bottlenecks for U.S. economic growth.** After expanding at a 4.8% compound annual rate from 1950 through the early 2000s, U.S. electricity generation was essentially flat for nearly two decades before inflecting higher in recent years. The shift reflects a broader change in the economy, in our view, with data centers and AI investment joining manufacturing reshoring and electrification as drivers of rising power demand. The U.S. Energy Information Administration estimates that power generation reached a record 4.4 trillion kilowatt-hours in 2025, up 2.8% from the prior year; demand has grown at an annual rate of roughly 1.7% since 2020 versus just 0.1% between 2005 and 2019. China has taken a much more aggressive approach to power generation, rapidly expanding capacity and transmission infrastructure to accommodate rising electricity demand. To put this in perspective, China has added more generation capacity over the past four years than the entire U.S. grid currently possesses. That contrast highlights the challenge facing the United States: after years of limited growth and underinvestment, we believe the country needs to expand power generation and upgrade its grid infrastructure. As electricity becomes a more important input to manufacturing, technology, and the broader economy, the ability to produce and reliably deliver power is becoming an increasingly important consideration for U.S. competitiveness.

■ **Inflation pressures remain elevated.** U.S. producer prices rose 0.4% in August, pushing the producer price inflation rate to 5.4% y/y, with the increase driven largely by a 4.2% m/m jump in wholesale energy costs and a 24.1% m/m surge in diesel fuel. The Core Producer Price

U.S. power generation beginning to inflect higher after nearly two decades of stagnation

Generation by source (billions of kilowatt-hours)



Source - RBC Wealth Management, U.S. Energy Information Administration

Index (PPI) was somewhat more encouraging, rising 0.3% during the month. However, oil's sharp move higher this week—with Brent crude climbing above \$105 per barrel—is another inflation risk to watch. Higher fuel and transportation costs can work their way through supply chains and ultimately into consumer prices, potentially keeping inflation elevated. This complicates the outlook for the Federal Reserve, with markets now pricing in a roughly 70% chance of a rate hike at next week's meeting, up from just 50% a week ago.

CANADA

Matt Altro, CFA & Elizabeth Grant – Toronto

■ **The Canadian housing market remains mixed, as August market data showed mixed momentum and varying activity across regions.** In the most unaffordable cities, Vancouver and Toronto, prices continue to fall amid persistent trade uncertainty and the impacts trade uncertainty may have on monetary policy and households. Montreal saw stronger selling in August, with new listings up 7.1%, extending a pattern of improving supply through the year. Edmonton and Montreal were the only major cities with positive new listings, yet home resales were starkly lower, pointing to a buyers' market. Looking at the Prairies, Quebec (excluding Montreal) and Atlantic Canada, tighter supply-demand conditions continue to support modest price gains, though momentum has waned. Inventory dynamics have been the key differentiator, with high inventory weighing on prices in Ontario and British Columbia while slim supply in most other regions gives sellers an edge. Overall, RBC Economics expects improving affordability and a stronger job market to slowly reignite activity, but broader macro trends may still produce speedbumps.

■ **Canada's labour market lost 42,000 jobs in August, partially reversing combined gains of 181,000 over the previous three months and leaving year-to-date growth at just 27,000 in 2026.** However, structural factors—including rising retirement from aging demographics and slowing population growth from weak immigration—continue to be primary drivers behind slow job growth this year. In August, the unemployment rate remained steady at 6.4%; it has declined more than half a percentage point from 7.1% last year. Statistics Canada noted August's layoff rate was higher in sectors dependent on U.S. demand for exports (0.9%) than in other sectors (0.7%). RBC Economics estimates 0.4% of Canadian jobs are directly involved in producing the goods that are on the new Section 338 tariffs list, and it continues to expect U.S. tariffs will have a notable, but targeted, effect on Canada's labour market. Near-term labour market impacts will be watched closely by RBC Economics, but it continues to expect that solid domestic demand, as seen in Q2 GDP data, will support further labour market improvement into 2027.

UK & EUROPE

Rufaro Chiriseri, CFA – London

■ **The European Central Bank (ECB) did not disappoint markets, following through with a 25 basis points (bps) interest rate hike to 2.50%, in line with our expectations.** During the press conference, ECB President Christine Lagarde characterised the decision as a “no brainer” as policy is still in neutral territory—the level where policy is neither restrictive nor supportive. The critical question for markets is what comes next. Markets continue to price in another 25 bps hike by year’s end and a policy rate of around 3.2% in a year’s time. Crucially, Lagarde stressed the ECB is not pre-committing to future rate paths—decisions will remain data-dependent. This leaves scope for flexibility should conditions change, in our view.

■ **The ECB has been surprised on two fronts. First, food price inflation came in lower than expected, but the energy shock is proving more persistent.** Second, euro-area growth surprised to the upside and has been resilient despite the energy shock. The duration of the ongoing Middle East conflict and its impact on energy prices are evident in the upward revisions to staff forecasts in September compared to June. Inflation is projected to reach 2.5% in 2027 and, crucially, to remain above target at 2.1% in 2028. Growth forecasts were also revised upwards—2026 growth is projected to modestly rise to 0.9%, with a larger uplift in 2027 to 1.4% (up from 1.2%), and 2028 remains unchanged at 1.5%. This resilience reflects stronger-than-anticipated consumer spending and investment. Importantly, the ECB confirmed that second-round wage effects remain contained, with wage growth expected to stay modest despite persistent inflation.

■ **Global bond markets faced another week of significant selloffs** as Brent crude oil prices jumped 10.8% to \$107.06/barrel and European natural gas climbed 14% to €82.72/MWh this week. On Thursday alone, German 10-year Bund yields rose nearly 6 bps to 3.5%—levels last seen in 2008—while 2-year yields surged nearly 17 bps as markets priced in a further 20 bps of tightening over the coming year.

ASIA-PACIFIC

Jasmine Duan – Hong Kong

■ **Bank of Japan (BoJ) board member Kazuyuki Masu confirmed the central bank will continue raising interest rates to prevent inflation from exceeding 2%.** The BoJ is widely expected to raise its benchmark rate by 25 basis points to 1.25% next week. Rate hikes are supported by rising inflation and constructive domestic

The yen rallied on expectations of a Japan rate hike
USD/JPY breaks key support level of 155



Source - RBC Wealth Management, Bloomberg; daily data through 9/10/26

demand. Though external pressure exists for more aggressive hikes, Masu indicated the BoJ sees no need for drastic action at this time, maintaining its gradual normalization approach.

■ **We expect the USD/JPY to consolidate within a broader 150–160 range in the near term.** Our base case anticipates yen recovery in 2027, supported by slower BoJ quantitative tightening that stabilizes the Japanese government bond market. We believe an earlier yen recovery is possible if Japan’s Government Pension Investment Fund accelerates its shift toward domestic assets, which could catalyze broader investor inflows into Japanese assets and advance the yen recovery timeline.

■ **Taiwan Semiconductor Manufacturing Company (TSM US / 2330 TT), the world’s leading semiconductor manufacturer, reported August revenue of US\$16.3 billion and anticipated 46.8% quarterly sales growth.** The company is constructing roughly 20 factories globally to catch up with surging AI chip demand, representing four to five times its historical building pace (compared to its typical practice of working on four to five new facilities simultaneously). TSMC has committed to record capital expenditures of US\$60–\$64 billion for 2026. Despite these investments, TSMC has been unable to fully satisfy demand from its major clients.

■ **The company has agreed to adopt advanced lithography technology from ASML, a Dutch semiconductor equipment manufacturer known for extreme ultraviolet machines, beginning in 2030.** We believe this agreement signals TSMC’s commitment to maintaining technological leadership during this extremely large growth phase.

MARKET Scorecard

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.72 means 1 Canadian dollar will buy 0.72 U.S. dollar. CAD/USD -0.6% return means the Canadian dollar has fallen 0.6% vs. the U.S. dollar year to date. USD/JPY 153.58 means 1 U.S. dollar will buy 153.58 yen. USD/JPY -2.0% return means the U.S. dollar has fallen 2.0% vs. the yen year to date.

Source - Bloomberg; data as of 9/9/26

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	7,636.36	-0.6%	11.6%	17.3%	39.6%
Dow Industrials (DJIA)	52,380.66	-1.5%	9.0%	14.6%	28.3%
Nasdaq	26,253.34	-0.4%	13.0%	20.0%	55.5%
Russell 2000	2,921.23	-1.2%	17.7%	22.6%	39.3%
S&P/TSX Comp	35,906.56	-1.0%	13.2%	23.5%	55.9%
FTSE All-Share	5,746.58	-1.6%	7.4%	15.0%	27.3%
STOXX Europe 600	640.41	-1.6%	8.1%	15.9%	25.4%
EURO STOXX 50	6,311.56	-1.7%	9.0%	17.6%	32.1%
Hang Seng	25,274.96	-1.1%	-1.4%	-2.6%	47.0%
Shanghai Comp	3,951.51	-0.9%	-0.4%	3.8%	44.4%
Nikkei 225	65,142.78	-1.8%	29.4%	49.9%	79.9%
India Sensex	74,764.23	-2.8%	-12.3%	-7.8%	-8.3%
Singapore Straits Times	5,729.63	-0.4%	23.3%	33.3%	63.9%
Brazil Ibovespa	185,629.04	4.6%	15.2%	31.1%	37.8%
Mexican Bolsa IPC	64,821.95	-0.9%	0.8%	6.8%	26.8%
Gov't bonds (bps change)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Treasury	4.843%	9.3	67.6	75.5	114.2
Canada 10-Yr	3.845%	10.7	41.2	61.6	90.9
UK 10-Yr	5.261%	19.8	78.2	63.8	140.5
Germany 10-Yr	3.444%	12.0	58.9	78.5	127.6
Fixed income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	5.06%	-0.1%	-0.4%	0.7%	3.5%
U.S. Investment-Grade Corp	5.56%	-0.2%	-0.6%	0.4%	4.2%
U.S. High-Yield Corp	7.39%	-0.1%	2.6%	4.4%	13.0%
Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot \$/oz)	4,399.76	-0.8%	1.9%	21.3%	75.5%
Silver (spot \$/oz)	67.25	1.0%	-6.2%	64.5%	137.2%
Copper (\$/metric ton)	14,741.19	2.0%	18.4%	49.9%	64.3%
Oil (WTI spot \$/bbl)	96.81	12.9%	68.6%	54.6%	40.9%
Oil (Brent spot \$/bbl)	101.68	12.4%	67.1%	53.2%	41.5%
Natural Gas (\$/mmBtu)	2.81	-4.4%	-23.9%	-10.0%	29.3%
Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	98.8260	-0.6%	0.5%	1.1%	-2.7%
CAD/USD	0.7243	0.3%	-0.6%	0.3%	-1.8%
USD/CAD	1.3807	-0.3%	0.6%	-0.3%	1.8%
EUR/USD	1.1631	0.1%	-1.0%	-0.7%	5.4%
GBP/USD	1.3546	0.0%	0.5%	0.1%	3.6%
AUD/USD	0.7217	0.7%	8.2%	9.6%	8.3%
USD/JPY	153.5800	-3.9%	-2.0%	4.2%	7.3%
EUR/JPY	178.6400	-3.7%	-2.9%	3.5%	13.1%
EUR/GBP	0.8586	0.1%	-1.5%	-0.8%	1.7%
EUR/CHF	0.9425	0.4%	1.3%	0.9%	0.6%
USD/SGD	1.2644	-0.5%	-1.6%	-1.4%	-3.2%
USD/CNY	6.7084	-0.2%	-4.0%	-5.8%	-5.7%
USD/MXN	16.9002	-0.6%	-6.2%	-9.3%	-15.0%
USD/BRL	5.1075	-1.5%	-6.7%	-6.1%	-8.5%

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