



The Genius of GENIUS | Week Ahead in Markets

Passage of the GENIUS Act is a major landmark that not only keeps the US at the forefront in digital currencies, but potentially creates a new source of demand for treasuries, reinforcing the dollar's currently unassailable status. Potential for financial inclusion as well as faster settlements are added positives. While one of the risks is loss of monetary policy flexibility, this is neither the "gold standard" of the past, nor will it do away with fiat currencies. Most importantly, calls for the end of the dollar's dominance are diluted further.

In a relatively light macro data week ahead (mainly housing, expected to rebound), focus will be on earnings, especially tech and especially Wednesday when Tesla and Alphabet report. With the markets continuing to power ahead, will it be a case of "bought expectation, sell fact"?

GENIUS Act

GENIUS (Guiding and Establishing National Innovation for US Stablecoins) Act was signed by the US President on 18th July, a landmark moment, allowing issuance of stablecoins, pegged 1:1 to the US Dollar and backed by cash and treasuries.

- There is a long lead time between legislation and implementation - detailed guidelines could take a year.
- Issuers will be US based regulated entities (major banks are already considering this) and will need to back the stablecoins with bankruptcy remote, segregated structures.
- Stablecoins cannot carry an yield.

The Acts That Haven't passed yet - What perhaps received less attention were two additional bills –Clarity Act and Anti CBDC Act – the latter designed to avoid competition from the FED.

Benefits

- **Demand for Treasuries** = Lower Mortgage Rates – creating anew source for treasury demand, as much as an incremental \$1 trn by some estimates over the next 5 years, has the potential to lower long dated yield and hence mortgage rates.
- **Faster Transactions** – With a decentralized and “instant” settlement system, increased efficiency in managing liquidity can be a potential positive outcome.
- **Financial Inclusion** – banking for the unbanked made possible through stablecoins.

...and Risks

- **Weaker Monetary Flexibility** – In creating in effect parallel currencies and hence a proliferation of stablecoins, FED's control over monetary policy would be weakened, especially in managing interest rates. How this plays out remains to be seen.
- **Treasury Market Turmoil** – Tenor mismatch, possible redemptions, akin to a “run on a bank” leading to disruptions in the treasury market would be a real risk.
- **Funding Cost of Banks/ Credit Creation** – An alternate asset in effect dampens demand for bank deposits, potentially raising funding costs and limiting credit creation, which is currently facilitated by a fractional reserve system.
- **Which Stablecoin to choose** – While the detailed framework is yet to be laid out, the likelihood of multiple stablecoin issuers is high – how each of these are perceived and used is an unknown. Should the Anti-CBDC Act get passed, at least the FED will not be a competitor.

Is This The Gold Standard Revisited?

In many senses, with currency (stablecoins) backed by cash/ treasuries, evokes memories of the gold standard (currency was backed by physical gold reserves). While the similarity of limiting central bank's role exists, the one major difference is the more than finite supply of treasuries. In that sense, while there are similarities, this “treasury standard” is much different from the old gold standard.

Week Ahead in Markets

MacroData

- Relatively light data week with Housing main focus.
- Existing home sales (Wednesday, 23rd), expected to be weaker m/m.
- New home sales (Thursday, 24th), expected to rebound 10% m/m after a sharp decline in May.

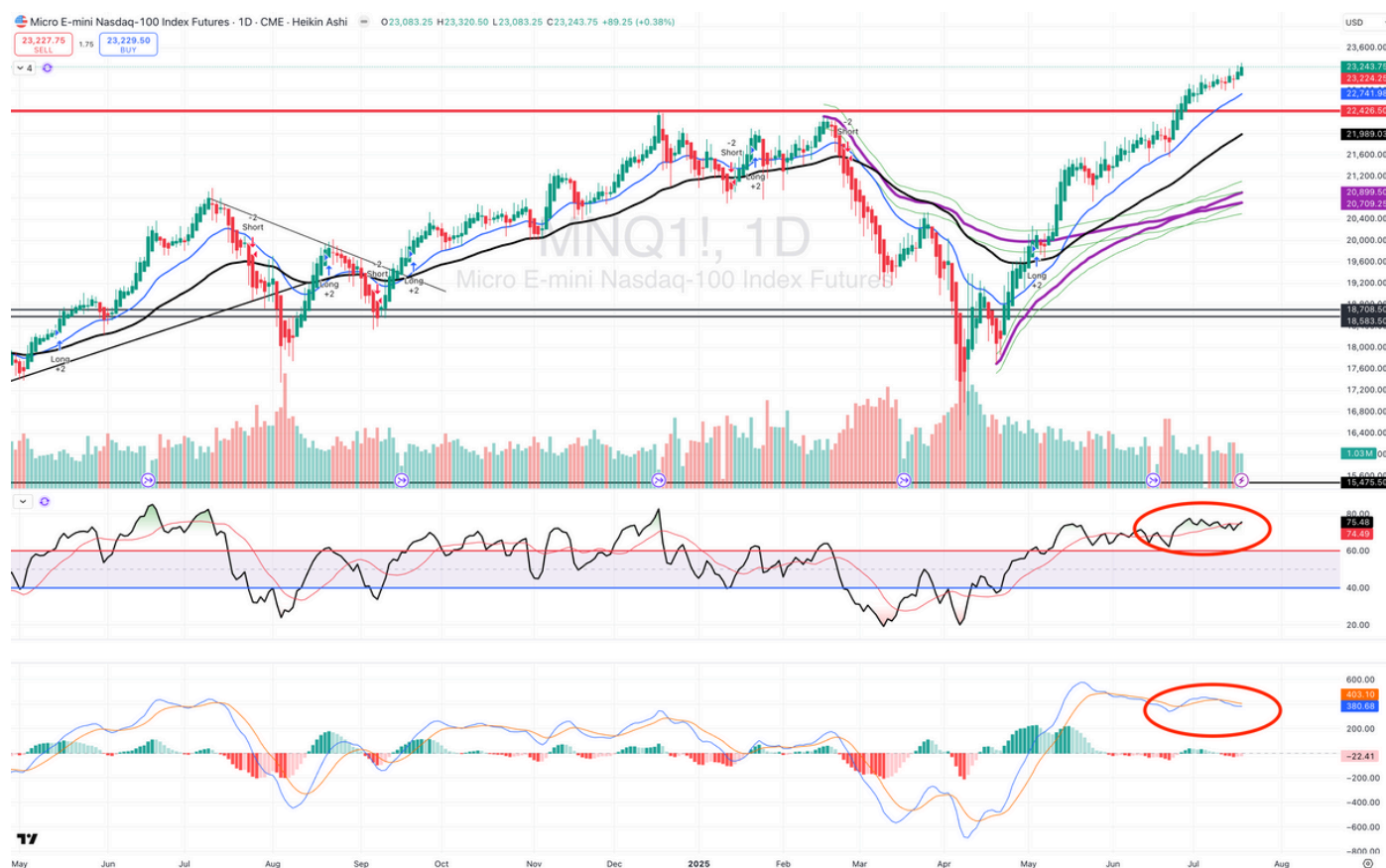
Earnings

- Earnings season picks up with Tech names reporting
- Focus on **Wednesday (23rd)** with both **Tesla and Alphabet** reporting post market. Tesla expected to report 48cents vs. 52cents a year ago – more interestingly will be guidance on Robotaxis and the company's plans to revive sales, especially with continuing and rising threat from Chinese automakers. For Alphabet, consensus expects \$2.19 vs. \$1.89 a year ago – watch for capex guidance as also emerging threat (and responses) from AI search engines.
- **Blackstone** earnings on Thursday (24th) will be important for guidance on expected flows following recent approval for 401K investments in private markets.
- Other major names to watch – Intuitive Surgical and General Motors (Tuesday), IBM, Chipotle (Wednesday) and Intel (Thursday).

Markets

Markets continued to grind higher without any specific sell signals and equities remain in an uptrend. However, a stretched RSI positioning does warrant a pause at the minimum. With volatility at depressed levels, the one risk to be cognizant of is profit taking - "bought the expectation, will sell the fact". Aside from equities, and even if implementation of the GENIUS Act is still some time away, downward pressure on yields and a further strengthening of the dollar is a likely outcome.

Nasdaq - Uptrend in Place - But Stretched



source: Trading View

Singapore

16 Collyer Quay #11-02
Collyer Quay Centre
Singapore 049318

Phone: +65 67130570

United Arab Emirates

The Exchange, Gate Village 11, Unit
802, DIFC, PO Box 507026, Dubai,
UAE

Phone: +971 45 861500

United Kingdom

24 Hanover Square,
London W1S 1JD

India

Unit No-104A, Worldmark 2
Asset Delhi Aerocity, New
Delhi 110037

Phone: +91 9650473961

1st Floor, WeWork37,
Cunningham Cross Rd, SRT Road
Vasant Nagar, Bengaluru-560001

Phone: +91 9900096873

Suite 502, Building 450, Central
Plaza, Genome Valley,
Shameerpet, Hyderabad 500 078

Phone: +91 9650473961

Unit No 507/508, A Wing,
INS
Tower, G Block, BKC
Mumbai- 400051

Phone: +91 9650473961

RK Swamy Centre, Hansa
Building,
Door No:3, Thousand Lights,
Chennai-600006

Phone: +91 9650473961

Unit No FF-10, FF Floor, Pragya
Accelerator, Block 15T GIFT CITY,
Gandhinagar
Gujrat- 382355

Phone: +91 9650473961



enquiry@lighthouse-canton.com



[lighthouse-canton.com](https://www.lighthouse-canton.com)



[Lighthouse Canton](https://www.lighthouse-canton.com)

Important Disclaimer

The contents of this document are confidential and is meant for the intended recipient only. If you are not the intended recipient, please delete all copies of this document and notify the sender immediately.

This document provides a general overview of the Lighthouse European Financials Index, which is domiciled in Singapore with Lighthouse Canton Pte Ltd as the Index Sponsor. It is not to be construed as an offer to sell or solicit an offer to buy any financial instruments in any jurisdiction. The contents of this document may not be reproduced or referenced, either in part or in full, without prior written permission from the Index Sponsor.

Documents and Subscription Agreement relating to the purchase of interests in the Index fund, and these documents should be reviewed carefully prior to taking any investment decision(s). It may include any data and projections based on underlying assumptions, management forecasts, information analysis and views of the author(s), which are subjected to change. Neither the Fund nor the Index Sponsor are under any obligation to update you on any changes made to this document.

This document is prepared by Lighthouse Canton Pte. Ltd. and its affiliate company, Lighthouse Canton Capital (DIFC) Pte. Ltd., which are regulated by Monetary Authority of Singapore ("MAS") and Dubai Financial Services Authority ("DFSA") respectively. MAS and DFSA have no responsibility for reviewing, verifying and approving the contents of this document and/or other associated documents. The contents of this document may not be reproduced or referenced, either in part or in full, without prior written permission from LC.

This document is based on information from sources which are reliable, but has not been independently verified by Lighthouse Canton Pte Ltd or its affiliates ("LC"). LC has taken the reasonable steps to verify the contents of this document, and accept no liability for any loss arising from the use of any information contained herein. Please also note that past performances are not indicative of future performance.

This document is only intended for Accredited Investors and/or Professional Clients, as defined by MAS and DFSA respectively.

Information contained herein are those of the author(s) and does not represent the views held by other parties. LC is also under no obligation to update you on any changes made to this document.