

What Happened to Stablecoins During the Crypto Winter?

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Highlights

- **Since the beginning of another crypto winter in October 2025, the growth of stablecoins outstanding slowed sharply, especially on blockchains with high DeFi and crypto trading activity**
- **Transaction volumes spiked in October despite shrinking stablecoin supply, likely reflecting deleveraging, liquidations, and trading activity rather than real-world payment activity**
- **Despite a steady diversification of stablecoin use cases, the evidence suggests that stablecoin behavior remains tightly linked to crypto market cycles.**

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Introduction

Bitcoin prices peaked at \$125,000 on October 6, 2025. Four days later, on October 10, crypto markets experienced their largest [deleveraging](#) episode on record: more than \$19 billion in leveraged positions were liquidated within 24 hours. The selloff was widely attributed to President Trump's announcement of 100 percent tariffs on Chinese imports, which triggered a sharp global risk-off move.

Since then, the crypto market has slid into another cold "crypto winter." Bitcoin prices have fallen by roughly half since October, while alternative cryptocurrencies and memecoins have dropped even more. Crypto [spot](#) and [futures](#) volumes on exchanges have halved from \$61 billion on October 10 to about \$28 billion today. Stocks of levered crypto [treasury](#) companies (e.g., Strategy) have lost nearly \$100 billion in market capitalization. DeFi lending activity has contracted sharply, with total value locked on DeFi platforms [peaking](#) in October at \$90 billion and declining to \$52 billion since. <https://www.theblock.co/data/crypto-markets/spot><https://www.theblock.co/data/crypto-markets/futures>

The wealth destruction in cryptocurrencies and related companies is obvious. What is less clear is the fate of the medium of exchange in the crypto system: stablecoins. <https://www.theblock.co/data/treasuries/crypto-treasuries> Before the crypto winter, stablecoins outstanding reached \$300 billion with transaction volumes ranging between \$600 million to \$1 trillion per month on an adjusted basis (i.e., stablecoin transfers between wallets after adjusting for redundant and inorganic transactions like internal wallet transfers and bot trading). But what has happened to the market since October?

Tracking Stablecoin Activity

Stablecoins occupy a unique position in the crypto ecosystem. On the one hand, they are widely viewed as a safe asset used as a parking vehicle during periods of volatility. On the other hand, stablecoin demand is tightly linked to crypto market activity, since they are the dominant medium of exchange for trading, leverage, and DeFi lending. Distinguishing between these sources of demand, however, is difficult because granular data on stablecoin usage are limited. Still, we can infer the drivers of stablecoin activity by examining patterns in outstanding supply and transaction volumes.

Different demand motives generate different patterns in supply and transaction activity. For example, stablecoin transaction volumes would increase as investors sell crypto assets for stablecoins or move them between wallets, and stablecoins outstanding could decline if investors then exit the market and redeem stablecoins for dollars. In this case, stablecoin velocity, or transactions per stablecoins outstanding, would rise. By contrast, if stablecoins were perceived as a safe asset, outstanding supply and volumes would rise together as flows migrate from crypto assets to stablecoins.

At the same time, the passage of the GENIUS Act has created a regulatory framework for U.S. dollar payment stablecoins, fueling expectations that they could increasingly be used outside of crypto markets as a real-world payment instrument. The emergence of digital, tokenized finance could further decouple stablecoin demand from crypto markets, particularly if stablecoins become the primary settlement layer for these transactions. If they are adopted for a broader range of use cases, stablecoins outstanding and transaction volumes could both rise together, but in ways that are uncorrelated with crypto market conditions.

To summarize, stablecoins outstanding could in principle:

1. **Expand**, capturing flight to safety from risky crypto assets into stablecoins, without leaving the crypto ecosystem. At the same time, migration of crypto assets into stablecoins would result in **increased** stablecoin transaction volumes as well.
2. **Contract**, if stablecoins are primarily used to facilitate trading and DeFi activity that slows sharply during a downturn. In this case, transaction volumes may **increase** even as stablecoins outstanding decline, as users convert assets into stablecoins before off-ramping into dollars.
3. **Remain broadly unchanged**, if stablecoin use is increasingly decoupled from crypto and driven by non-crypto payments, in which case trends in stablecoins outstanding and volumes could be unaffected by the crypto winter.

A close look at the data points to the second interpretation.

Declining Stablecoins Outstanding

Figure 1 shows that growth of stablecoins outstanding stalled abruptly after October, breaking from its strong upward trajectory through 2024 and early 2025. Since October, stablecoins outstanding have contracted by roughly \$125 million. Notably, December and January recorded two consecutive monthly declines - something that has not occurred since 2023.

Figure 1. Aggregate stablecoins outstanding (left) and monthly changes (right)

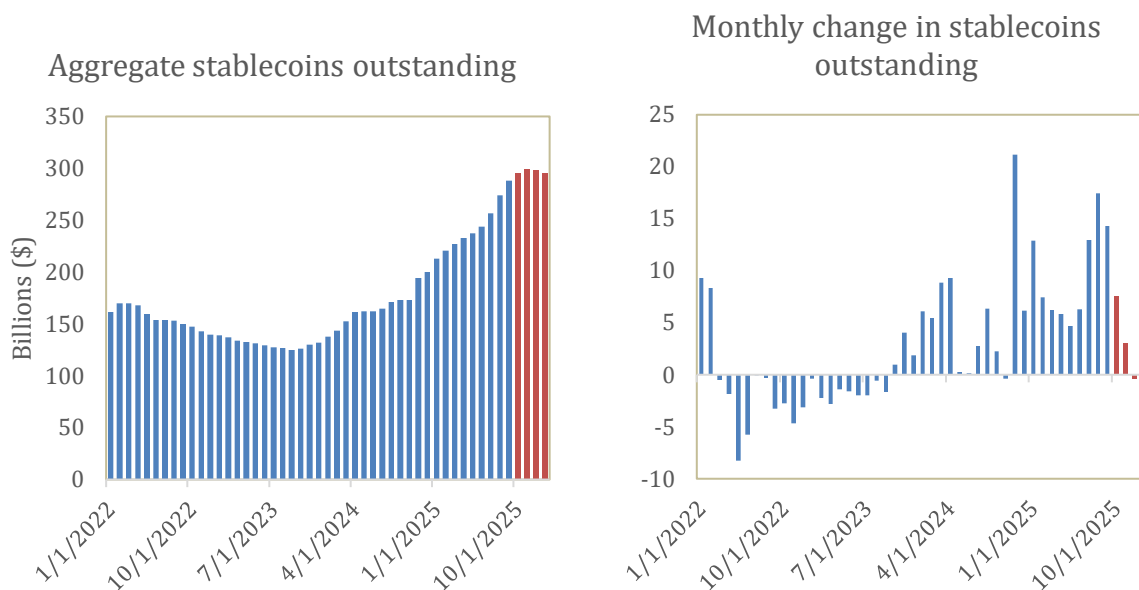


Figure 1. Left-panel shows aggregate stablecoins outstanding. Right-panel shows monthly changes in aggregate stablecoins outstanding. Red bars refer to the period October 2025 through January 2026. Source: RWA.xyz and authors' calculations.

A shrinking stablecoin market during the crypto winter supports explanation (2): Stablecoin demand remains highly sensitive to crypto market conditions rather than acting as a countercyclical safe asset within the ecosystem.

Figure 2 (left-panel) decomposes this contraction into contributions by the four largest stablecoins and smaller stablecoins consolidated under “Other”. The decline has been driven primarily by a nearly \$6 billion contraction in Circle Internet Group’s USDC, alongside a sizable drop in crypto-backed stablecoins such as USDe, issued by Ethena Labs. These tokens are actively used for crypto trading, leverage, and yield farming on DeFi platforms. For example, Circle [reports](#) that USDC makes up nearly 70 percent of stablecoin trading volume within DeFi, and nearly 20 percent of USDC outstanding is held on centralized crypto exchanges. Meanwhile, Circle is actively focused on broadening USDC’s global appeal for real-world payments through its network of bank partnerships, but real-world volumes remain low.²

While USDC outstanding contracted, Tether Limited’s USDT, the largest stablecoin, expanded by more than \$2.5 billion over the same period, and smaller stablecoins grew by about \$4.5 billion. Figure 2 (right-panel) shows that nearly all of USDT’s growth occurred on the Tron blockchain. By contrast, stablecoins

² Circle [reports](#) Q4 2025 real-world volumes via the Circle Payments Network of \$5.7 billion, compared to multi-trillion worth of USDC on-chain transaction volumes during the same period.

outstanding declined on Ethereum. Tron now hosts roughly half of USDT in circulation and is regarded anecdotally as the preferred network for retail USDT users in emerging markets and developing countries.

Figure 2. Change in stablecoins outstanding by token (left) and network (right)

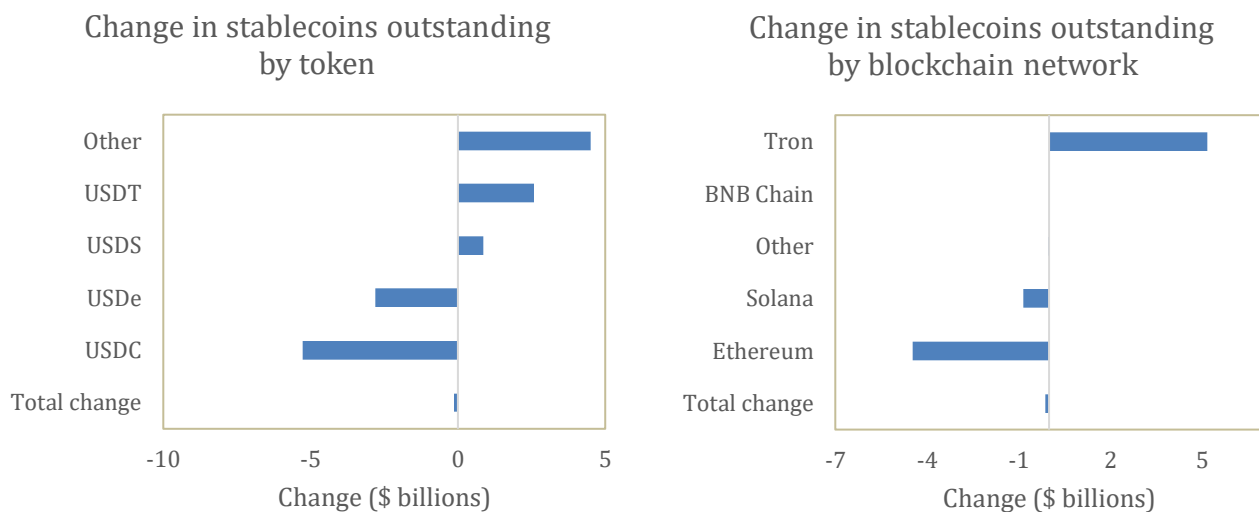


Figure 2. Left-panel shows the change in stablecoins outstanding from October 2025 through January 2026, by stablecoin token. Right-panel shows the change in stablecoins outstanding from October 2025 through January 2026, by blockchain network. “Other” aggregates several smaller stablecoins. USDT is issued by Tether Limited, USDS is issued by Sky Protocol, USDe is issued by Ethena Labs, USDC is issued by Circle Internet Group. Source: RWA.xyz and authors’ calculations.

Breaking the data down by blockchain reinforces the same narrative. Stablecoins outstanding contracted most sharply on Ethereum and Solana, the two networks that dominate DeFi lending and decentralized exchange (DEX) activity. Ethereum remains the core infrastructure for DeFi, while Solana accounts for the [majority](#) of on-chain DEX trading volume.

Taken together, the tokens and blockchains driving the decline in overall stablecoins outstanding are precisely those most exposed to crypto trading and leverage. The crypto winter, in short, has been a clear headwind for stablecoin growth.

Rising Transaction Volumes

If stablecoins outstanding shrank, did stablecoin transaction volumes contract as well?

Quite the opposite.

According to on-chain analytics from Visa, stablecoin transaction volumes surged in October. Figure 3 shows that adjusted volumes peaked at \$1.46 trillion - an increase of \$460 billion, or 46 percent, relative to September's \$1.02 trillion.

Figure 3. Monthly stablecoin transaction volumes by token (left) and network (right)

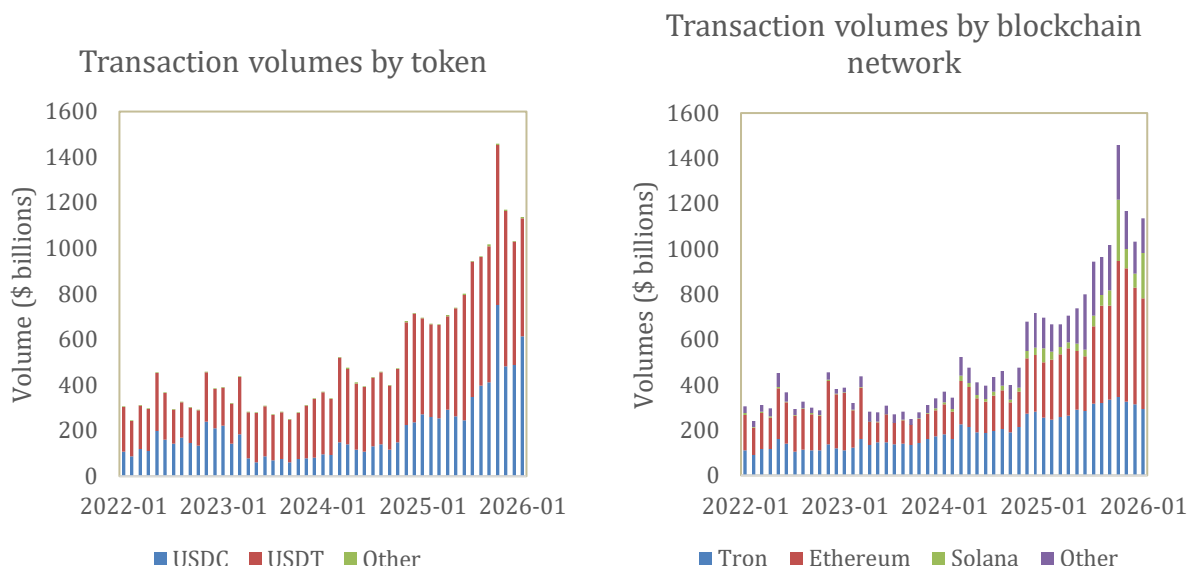


Figure 3. Left-panel reports monthly adjusted stablecoin transaction volumes by token. Right-panel shows monthly adjusted stablecoin transaction volumes by blockchain. Adjusted volumes intend to remove volumes from trading bots, high-frequency trading and market making, and internal transfers because these transactions tend to inflate volume statistics by counting inorganic and redundant transfer activity. Source: Visa, Allium, authors' calculations.

The bulk of this increase came from USDC, whose transaction volumes jumped from \$412 billion in September to \$752 billion in October (Figure 3, left-panel). USDT, despite being 2.6 times larger in terms of stablecoins outstanding, saw volumes increase by only about \$100 billion.

At first glance, rising transaction volumes could be interpreted as evidence of growing real-world stablecoin usage. However, four observations point to the opposite.

First, the volume spike occurred precisely in October, coinciding with the crypto market crash and deleveraging episode. If stablecoin volumes were tied to real-world payments, then they should be largely uncorrelated with crypto market stress.

Second, if transaction volumes reflected expanding real-world adoption, we would expect outstanding stablecoins and transaction volumes to rise together as new users both hold and spend stablecoins. Instead, stablecoins outstanding contracted sharply even as volumes surged.

Third, USDC is widely used in crypto trading and DeFi. Its disproportionate volume increase, relative to USDT's, suggests that the volume surge reflects elevated trading, liquidations, and balance-sheet adjustments during the crash rather than retail payments.

Fourth, blockchain-level data tell a similar story. Figure 3 (right-panel) shows that the volume increase in October was heavily concentrated on Ethereum and Solana. Ethereum alone saw an additional \$190 billion in stablecoin transfers. Solana, which typically records much lower volumes, saw an increase of roughly \$200 billion, or a 300 percent jump from the prior month.

The Bottom Line

The crypto winter did not turn stablecoins into a haven where investors parked their wealth, nor did it reveal a stablecoin market decoupled from crypto. Instead, it showed how deeply stablecoin demand and usage remain intertwined with crypto market activity.

Stablecoin balances shrank where crypto activity collapsed. Transaction volumes spiked where deleveraging and liquidations were most intense. Whatever their future role in payments, today's stablecoins are still, first and foremost, the plumbing of the crypto financial cycle.