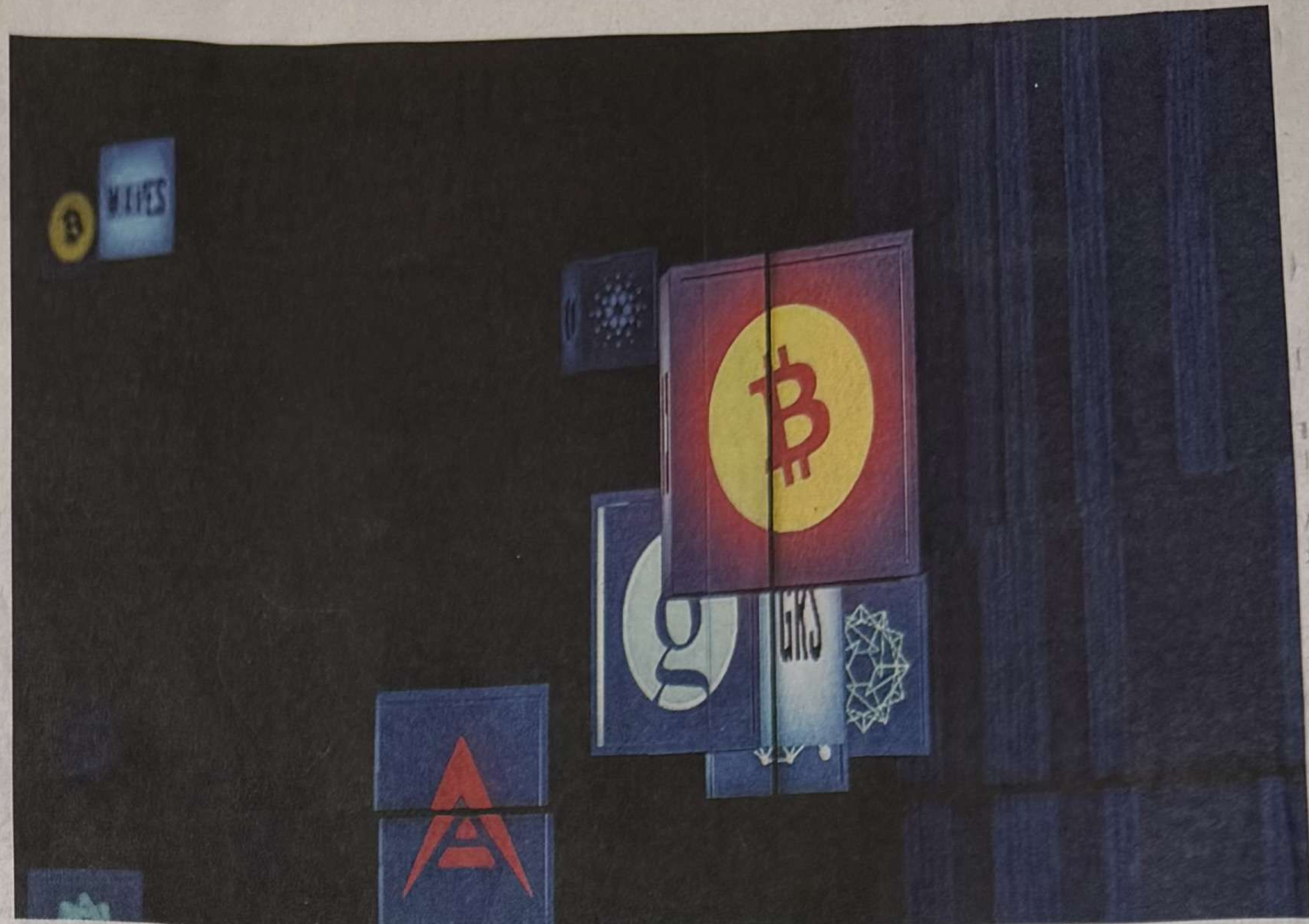
DUE DILIGENCE

2025 was not the year crypto died; it was the year crypto got a job

What conclusions can we draw from the AI bubble, the commodities boom, and the scarcity of bits? BY GENPING LIU



While the price of Bitcoin stagnated in 2025, the structure of the crypto ecosystem matured at a velocity that the charts ignore. PHOTO: BLOOMBERG

ARTIFICIAL intelligence (AI) is the topic of the day. Entering 2025, I, like many in tech, assumed that AI-linked stocks would be the undisputed heavyweights of the year. I was wrong.

While the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) delivered a respectable 24 per cent return, they were eclipsed by an asset class many had written off as archaic: commodities.

The broader commodity basket led the market with a 41 per cent return, driven by spectacular performances from gold (+64 per cent) and silver (+146 per cent).

Silver, in particular, soared due to dual demand: It benefited from the same monetary panic as gold, while simultaneously riding an explosive industrial narrative that requires massive amounts of conductive metals for grid upgrades and data centre interconnects.

While many factors contributed to this divergence, the data reveals a key insight into market psychology: capital is prioritising the "scarcity of atoms" over the "safety of bits".

Investors are waking up to physical risks: inflation, conflict, and fragile supply chains. Consequently, money is moving upstream, placing a higher value on the critical raw materials required to build the physical foundation of AI. But this raises a critical question for a digital-first venture capitalist: What happens to the scarcity of bits?

I have maintained a long-term positive view on the crypto ecosystem, which is the ultimate representation of digital scarcity. Yet, in 2025, Bitcoin finished the year flat to slightly negative.

For the first time, the "digital gold" narrative seemed to decouple from reality. While physical gold soared on geopolitical fear, its digital counterpart stalled.

However, as financial analyst Ben Graham famously observed, price is a voting machine in the short term, but a weighing machine in the long run. While the price of Bitcoin stagnated in 2025, the structure of the crypto ecosystem matured at a velocity that the charts ignore. We have moved from a market driven by speculative mania to one driven by industrial-grade utility. 2025 was not the year crypto died; it was the year crypto got a job. Here is why the scarcity of bits is clearer than ever.

The stablecoin supercycle: The "killer app" is boring

Accelerated by regulatory clarity, stablecoins, the most boring assets in crypto, became the sector's most explosive application. While Bitcoin chopped sideways, the aggregate market capitalisation of stablecoins (led by USDT and USDC) surged past US$300 billion, with transaction volumes now rivalling Visa and Mastercard.

> As AI drives the cost of digital content to zero and manufacturing automation makes physical goods cheaper, the premium for proven, scarce digital assets will only rise.

We are seeing a distinct shift in usage from trading collateral to commercial payments.

In emerging market economies with weak banking infrastructure, stablecoins have become the de facto rail for internal trade.

In developed markets, fintech giants in Singapore and the US (such as Stripe and Grab) have finally integrated stablecoin rails deeply into their backends. This allows for 24/7 cross-border settlement that bypasses the friction and cost of the Swift network.

For a venture capitalist, the signal is massive: the "money velocity" of the crypto ecosystem is accelerating. We are also seeing the rise of "yield-bearing stablecoins" (such as Ethena or BlackRock's BUIDL), which pass Treasury yields directly to the holder, solving the opportunity cost problem that plagued crypto in previous high-rate cycles.

Stablecoins have proven to be the Trojan Horse of mass adoption. Users may not care about "decentralisation", but they care that they can send US dollars to a supplier in Vietnam on a Saturday night for a fraction of a cent. That utility is now entrenched.

RWA: The tokenisation of Wall Street

If 2024 was the year of the crypto ETF, 2025 was the year of real world assets (RWA). For years, "tokenisation" was a buzzword. In 2025, it became a balance sheet item.

We saw billions of dollars in US Treasuries brought on-chain (via platforms such as Securitize and Ondo Finance). The driver is simple: in a high-interest-rate world, crypto-native liquidity needs safe yield. But the implications go far beyond T-bills.

In a recent column, BlackRock CEO Larry Fink and COO Rob Goldstein argued that finance is "entering the next major evolution in market infrastructure," one driven by blockchain-based tokenisation. This is no longer a fringe view; it is the consensus on Wall Street.

For Singapore, a global hub for commodities and trade finance, this is particularly relevant. We are seeing pilots where trade invoices and commodities are tokenised to secure financing in minutes rather than days. The blockchain is becoming the "golden record" for asset ownership, reducing the legal and administrative bloat that plagues traditional finance.

The evolution of markets: Perpetuals and prediction

Beyond the traditional DeFi narrative, two sectors matured significantly in 2025: decentralised perpetual exchanges (Perp DEXs) and prediction markets.

Perp DEXs: Protocols such as Hyperliquid and dYdX saw volumes hit over US$12 trillion in 2025.

Traders are voting with their liquidity, moving away from opaque centralised exchanges (where the ghosts of FTX still linger) towards on-chain protocols where custody remains with the user. The user experience (UX) now rivals traditional brokers, compounded by a sticky, cult-like social culture.

Prediction markets: 2025 was the breakout year for platforms such as Polymarket. In a world where AI generates infinite content and media is fragmented, truth has become a scarce commodity. Prediction markets, where participants stake money on outcomes, have emerged as a clearer signal of reality than polling or punditry.

I see a near future where prediction markets evolve into primary data sources for insurance and risk management. This isn't just gambling on elections; it's about hedging against supply chain disruption, weather events, and policy shifts using the wisdom of the crowd.

The value of true bits

In 2025, we witnessed the global phenomenon of Labubu, a scarcity-driven physical doll collection that swept the consumer world. One of the most expensive Labubu transactions was above US$150,000. While crazy, this is merely the floor price of the CryptoPunks non-fungible token (NFT) collection.

Despite the crash of the broader NFT narrative, the market still values the scarcity of bits (CryptoPunks) higher than the scarcity of atoms (Labubu).

As AI drives the cost of digital content to zero and manufacturing automation makes physical goods cheaper, the premium for proven, scarce digital assets will only rise. So, should we go long on the scarcity of bits, the commodity-equivalent infrastructure powering the next evolution of financial markets?

As we move deeper into 2026, with these structural developments solidifying, I expect the narrative to shift. The question will change from "Why isn't Bitcoin acting like gold?" to "Why are we still using ancient infrastructure for a digital financial industry?"

The price was boring. The progress was not. For a VC, that is the perfect signal to build.

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