

In-Depth Analysis of Stablecoin Alpha

Capture Logic and High-Yield
Execution Paths



Abstract

- **Diversified Yield Models:** Yield-bearing stablecoins generate returns through a variety of mechanisms, broadly categorized into eight strategies across different risk levels. These include low-risk options like U.S. Treasury-backed RWAs (4%–5.5% APY), medium-risk lending protocols (2%–8% APY), and high-risk market-neutral arbitrage strategies (5%–20%+ APY).
- **USDe (Ethena Labs) Yield Strategy:** Ethena's sUSDe generates yield through a Delta hedging mechanism, which involves shorting perpetual futures to hedge spot long positions. The current sUSDe APY is approximately 7.39% (with a volatility range of 5%-25%). When combined with ENA airdrop rewards (3%-5%), the overall integrated APY can reach 9%-11%. Users can earn yield by utilizing the Ethena Earn module, participating in cross-chain liquidity pools (up to 18% APY), or by awaiting airdrops.
- **USDS (Sky Protocol) Yield Strategy:** As an upgraded version of DAI, USDS features built-in native rewards. Users can deposit USDS into the Sky Savings Rate (SSR) to mint sUSDS, earning a current APY of 4.5%. Staking the SKY token further unlocks rewards in USDS of up to 14.91% APY. When combined with Spark Protocol missions and point farming, users can optimize their exposure to future SPK airdrops.
- **USDY (Ondo Finance) Yield Strategy:** USDY is a yield-bearing stablecoin fully backed by short-term U.S. Treasuries and bank deposits. It currently offers a base APY of 4.29%. Users can boost returns by depositing USDY into DeFi platforms such as Scallop Protocol or NAVI Protocol, where APYs can reach up to 13%. Advanced strategies in the Sui ecosystem, such as lending and reinvesting loops, can push yields even higher—between 12% and 17% APY.
- **Other Innovative Alpha Strategies:** Falcon Finance's USDf offers on-chain arbitrage yields based on digital asset collateral. Lista DAO achieves high-yield lending and liquid staking on BSC through a Pendle+Lista combination, while Hyper EVM provides continuous returns from stablecoin market-making. These initiatives significantly enrich the stablecoin alpha strategy landscape.
- **Core Logic of Stablecoin Alpha:** Stablecoin alpha is not solely about high yields—it represents structural, sustainable, and differentiated excess returns. Key sources include mechanism innovation, leveraged loop strategies, RWA yield integration, and incentive/airdrop mechanisms.
- **Risk Identification and Mitigation:** While the yield potential is significant, stablecoin alpha strategies carry risks, including volatility in mechanisms, liquidation exposure, liquidity constraints, and protocol security vulnerabilities. To mitigate risks, users should prioritize RWA-backed assets, implement liquidation buffers, monitor on-chain liquidity, and choose audited and reputable projects.

Keywords: Gate Research, stablecoins, USDe, USDS, USDY, USDf

Gate Research: In-Depth Analysis of Stablecoin Alpha — Capture Logic and High-Yield Execution Paths

1. Introduction: A New Era of Stablecoins at the Crossroads of Regulatory Transformation and Yield Innovation	3
2. What Are Yield-Bearing Stablecoins?	4
2.1 Overview of Stablecoins and the Rise of Yield-Bearing Models	4
2.2 Yield Models of Yield-Bearing Stablecoins	5
3. Alpha Strategy Analysis of Mainstream Yield-Bearing Stablecoins	8
3.1 USDe – Synthetic Yield Provided by Ethena Labs	9
3.2 USDS – Upgraded from Dai (DAI) to USDS	14
3.3 USDY – Yield-Bearing Stablecoin by Ondo Finance	17
3.4 Other Stablecoin Alpha Strategy Opportunities	21
3.5 Summary	22
4. Stablecoin Alpha Field Guide: Strategy Logic and Toolkits	24
4.1 Alpha Capture Strategy Logic	24
4.2 Toolkits and Resources for Finding Alpha	26
4.3 Risk Identification and Mitigation Recommendations	26
5. Stablecoin Alpha Field Guide: Strategy Logic and Toolkits	27
6. References	29

1. Introduction: A New Era of Stablecoins at the Crossroads of Regulatory Transformation and Yield Innovation

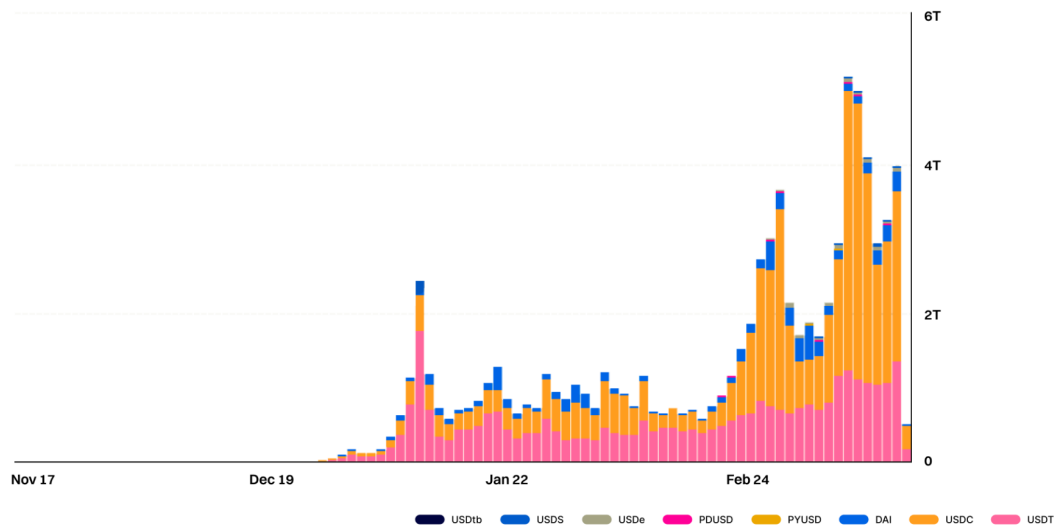
The crypto market is undergoing a deep structural reshaping. At the heart of this transformation lies the stablecoin—an essential bridge between digital assets and traditional finance—now entering a dual evolution phase characterized by regulatory institutionalization and yield generation.

On May 19, 2025, the U.S. Senate passed a procedural vote on the GENIUS Act with overwhelming support, marking a major step toward the first nationwide regulatory framework for stablecoins at the federal level. The act aims to legally define the operational mechanisms of a "digital dollar" and establish comprehensive standards for the issuance, reserves, compliance, and settlement infrastructure of stablecoins. This landmark development is poised to reshape the U.S. stablecoin power structure and could spark far-reaching policy, economic, and geopolitical ripple effects globally—ultimately redrawing the map of future finance. From treasury refinancing logic and issuance rights competition to RWA tokenization incentives, the GENIUS Act sends a clear message: the U.S. dollar seeks to dominate not only real-world clearing systems but also on-chain value flows. Stablecoins are rapidly becoming the “on-chain extension of the dollar”, and the authority over reserve asset allocation is emerging as a strategic lever in U.S. financial policy.

Concurrently, Circle Internet Group, the issuer of USDC, successfully went public on the New York Stock Exchange, with an IPO price above expectations. The stock surged over 160% on the first trading day, reaching a market cap of over \$18 billion, and raising more than \$1.1 billion—making it the largest public fundraising event in stablecoin history. This milestone not only highlights the growing capital appeal of stablecoins on Wall Street but also confirms their elevated status in the global financial system—from a fringe tech tool to a strategic extension of sovereign currency and an institutional-grade financial asset.

As of the end of 2024, Circle generated approximately \$1.7 billion in interest income—accounting for 99.1% of its total revenue—by allocating over \$60 billion in USDC reserves into short-term U.S. Treasuries. According to Artemis, by early June 2025, the year-to-date stablecoin transaction volume had already approached \$20 trillion, with over \$4 trillion in May alone, underscoring stablecoins' growing role in displacing traditional USD-based payment and settlement infrastructure. The global stablecoin market cap has surpassed \$250 billion (source: CoinGecko), with USDT commanding about 60% of market share and USDC ranking second.

Figure 1: Global Monthly Stablecoin Transaction Volume



Gate Research, Data from: Artemis

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Driven by both policy momentum and market demand, stablecoins are quickly evolving from mere value-pegged instruments into efficient on-chain capital allocation vehicles. This shift has given rise to the rapid emergence of Yield-Bearing Stablecoins, now a critical growth sector within on-chain finance.

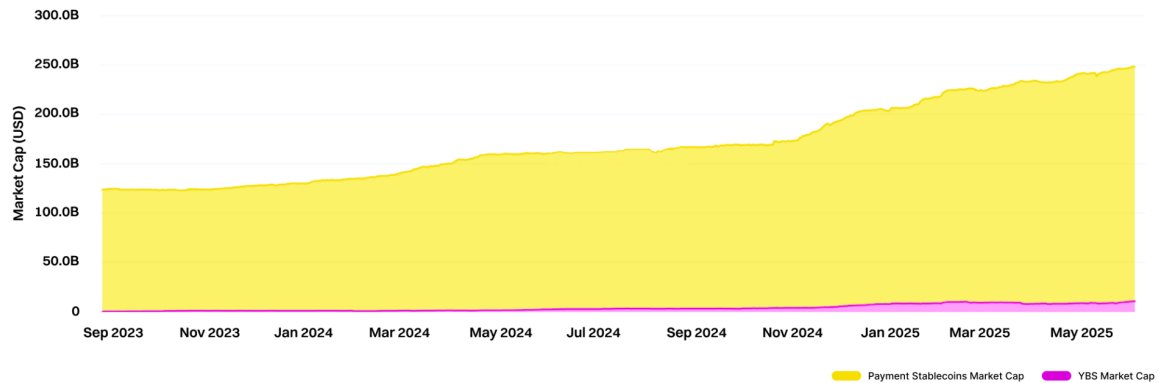
2. What Are Yield-Bearing Stablecoins?

2.1 Overview of Stablecoins and the Rise of Yield-Bearing Models

Due to their price stability, stablecoins have become indispensable in crypto markets. They not only mitigate volatility risk but also serve as mediums of exchange, payment assets, and safe-haven instruments. As of June 2025, the total stablecoin supply has reached \$246 billion, with 34 million monthly active addresses, and institutional adoption continues to rise—accelerating the integration of traditional and crypto financial systems.

Among these, a new category is reshaping the role of stablecoins: Yield-Bearing Stablecoins. According to Stablewatch, as of June 6, 2025, the circulating supply of yield-bearing stablecoins has grown from \$2.74 billion to \$11.12 billion, now accounting for approximately 4.5% of the stablecoin market.

Figure 2: Payment Stablecoins vs Yield-Bearing Stablecoins Market Cap



Gate Research, Data from: stablewatch

Gate Research

These stablecoins maintain a 1:1 peg to the U.S. dollar while generating sustainable on-chain yield. Unlike traditional stablecoins, which focus solely on payments and transfers, yield-bearing variants integrate mechanisms such as on-chain lending, arbitrage, and RWA yield capture, enabling holders to earn steady returns while maintaining price stability.

Key Features include:

- Dual nature of value stability + yield generation
- Diverse income sources: lending, DeFi arbitrage, RWAs
- Often involve tokenized yield and strong composability
- Deep integration with DeFi protocols and optimized capital efficiency

This model of "stable yield" appeals to risk-averse investors and pushes stablecoins to evolve from simple payment instruments into value-accruing financial assets.

2.2 Yield Models of Yield-Bearing Stablecoins

Based on preliminary analysis, current yield-bearing stablecoins generate income primarily through eight core mechanisms, spanning from low-risk to high-risk strategies:

Figure 3: Yield Model Classification of Yield-Bearing Stablecoins

Model	Yield Range	Risk Level	Representative Platforms	Security (Compliance)
Lending	2–8%	Medium	Aave, Morpho	Medium (Top platforms)
Liquidity Mining	0–4%	Medium	Curve	Medium to High
Market-Neutral Arbitrage	5–20%+	High	Ethena, CEX Arbitrage	Medium
RWA (US Treasuries)	4–5.5%	Low	Ondo USDY	High
Structured Options Products	3–15%	Medium to High	SharkFin	Medium
Yield Tokenization	6–20%	Medium to High	Pendle	Medium
Basket Strategy Products	5–10%	Medium	Ether.Fi	Medium
Alternative Staking / Incentives	Highly Variable	High	Early-Stage RWA Projects	Low

2.2.1 Stablecoin Lending & Borrowing

This is the most common and fundamental model, where stablecoins generate interest income through lending platforms, making up the largest capital volume.

- **CeFi Platforms:** Major exchanges like Binance, Coinbase, OKX, and Gate offer flexible savings products suitable for general users. However, yields are volatile, typically ranging from 2%–4% during calm market periods.
- **DeFi Protocols:** Platforms such as Aave, Sky Protocol (the rebranded MakerDAO), and Morpho Blue offer more open and composable lending mechanisms.

Innovative formats include:

- **Fixed-rate lending protocols:** Pendle enables tokenized yield to offer fixed-rate products.
- **Rate Tranching & Subordination:** More complex risk-layered structures for varying risk appetites.
- **Leveraged Lending:** Boosts returns through leverage but with increased risk.
- **Institutional DeFi Lending:** Platforms like Maple Finance’s Syrup earn yields from institutional borrowers.
- **RWA-based Lending:** Protocols like Huma Finance tokenize real-world lending (e.g., supply chain finance) to bring returns on-chain.

Risk Considerations: Platform security, borrower default risk, and yield stability.

2.2.2 Yield Farming Returns

Led by Curve, this model distributes AMM trading fees and token incentives to liquidity providers (LPs).

- **High security** on leading platforms.
- **Low average yields** (0–2%); for small or short-term capital, returns may not even cover gas fees. Smaller DEXs may offer higher yields but carry rug pull risks.

Risk Considerations: Platform security, impermanent loss (for non-stable pairs), and volatility of token incentives.

2.2.3 Market-Neutral Arbitrage Returns

By constructing hedged positions, investors can earn arbitrage profits with near-zero market exposure.

- **Funding Rate Arbitrage:** Earn funding fees by longing spot and shorting perpetual futures when funding rates are positive. Ethena is a prime example: users deposit stETH to mint USDe and short ETH perpetuals on centralized exchanges. Historical data shows a >80% probability of positive funding rates.
- **Cash-and-Carry Arbitrage:** Exploit price discrepancies between spot and expiring futures to lock in profits.
- **Cross-exchange Arbitrage:** Profit from price differences across exchanges, though spreads are currently minimal and retail access is limited.

Risk Considerations: High expertise required, platform risk, and potential negative returns during extreme market conditions (e.g., sustained negative funding rates).

2.2.4 US Treasury Bill Yields via RWA Projects

Tokenizes real-world assets like U.S. Treasuries and distributes yield on-chain via stablecoins.

- **Representative Projects:** USDY by Ondo and USD0 by Usual.
- **Benefits:** Stable returns (over 4% currently), high security, strong regulatory compliance.
- **Innovation:** Usual's USD0++ introduces a liquidity token mechanism for locked T-Bills, similar to Lido's model for ETH staking, enhancing flexibility and yield opportunities.

Risk Considerations: Underlying asset custody risk, regulatory compliance, sustainability of incentive tokens, and protocol governance risks.

2.2.5 Structured Products with Options

Popular in CeFi, this model earns premium income from option-selling strategies such as sell-put or sell-call.

- **Stablecoin-Denominated:** Mainly sell-put strategies to collect option premiums.
- **Best suited for:** Sideways markets. Returns are limited or risky in trending markets.
- **Innovation:** "Shark Fin" structured notes offered by exchanges provide principal protection and yield within a range, appealing to risk-averse users.

- **On-chain Options:** Still nascent. Ribbon Finance was once a leader but remains in early development stages.

Risk Considerations: Market direction risk, principal loss, and limited premium returns.

2.2.6 Yield Tokenization

Spearheaded by Pendle, this model splits yield-bearing assets into Principal Tokens (PT) and Yield Tokens (YT), allowing users to fix income, speculate on yield, or hedge risks.

- **PT (Principal Token):** Represents the principal, redeemable 1:1 upon maturity.
- **YT (Yield Token):** Represents future yield, decays over time and expires worthless.

Strategies: Fixed income, yield speculation, risk hedging, liquidity provision.

Yield: Native yield from the underlying asset, YT speculation, LP fees, and protocol incentives.

Limitations: High-yield pools are typically mid-to-short term, requiring active management.

Risk Considerations: Underlying asset risk, smart contract risk, and YT volatility.

2.2.7 Basket-Style Stablecoin Yield Products

For example, Ether.Fi's Market-Neutral USD pool offers users a fund-like product combining multiple yield strategies (e.g., lending, farming, arbitrage, tokenization).

- **Advantages:** Diversifies risk, high yield, suitable for users with limited capital or time.
- **Risks:** Relies on manager's strategy and risk controls; aggregate risk from underlying strategies.

2.2.8 Alternative Stablecoin Staking Rewards

Some projects accept stablecoin staking in exchange for extra token rewards. For instance, Arweave's AO Computer network accepts DAI staking to distribute AO tokens.

- **Features:** High-upside exposure to new tokens with relatively low input.
- **Risks:** Token price uncertainty and project development risk.

3. Alpha Strategy Analysis of Mainstream Yield-Bearing Stablecoins

In the stablecoin market—with a total market capitalization exceeding \$250 billion and annual trading volume in the trillions—yield-bearing stablecoins are emerging as a new hotspot for on-chain returns. These stablecoins are not only pegged to the U.S. dollar but also offer

attractive APYs ranging from 3% to 15%. They are bridging the gap between traditional finance and DeFi by offering both retail and institutional users diversified on-chain asset appreciation strategies such as market-making, collateralization, compounding, and point-based airdrops, opening a new growth cycle for on-chain dollar assets.

As of June 6, 2025, according to market cap data from CoinGecko, leading yield-bearing stablecoin projects fall into two main categories:

1. Incentive-driven high-yield, high-liquidity stablecoins, such as sUSDe and sUSDS, which serve as the backbone of on-chain “programmable cash flows”;
2. Institutional-grade, compliance-focused stablecoins, such as USDY and USDM, which offer steady returns and cater to regulatory and institutional needs.

Representative projects include:

- **sUSDe by Ethena** (Market Cap: \$3.456B): Delivers high yields through delta-neutral perpetual futures shorting strategies, combined with point-based user incentives.
- **sUSDS by Spark** (Market Cap: \$2.569B): Offers stable returns backed by off-chain U.S. Treasuries and a compounding reward point system.
- **USDY by Ondo** (Market Cap: \$586M): Provides bond-like yields to institutional users through tokenized exposure to U.S. Treasuries.

Below is a detailed analysis of the yield mechanisms and user strategies for sUSDe, sUSDS, and USDY.

3.1 USDe – Synthetic Yield Provided by Ethena Labs

As yield-bearing stablecoins become a dominant theme in DeFi investment, Ethena Labs’ USDe and its derivative sUSDe provide a solution akin to an “Internet bond” that balances both stability and yield. Built on the Ethereum ecosystem, the protocol utilizes a delta-neutral hedging mechanism to convert ETH-based collateral into USDe—a dollar-pegged stablecoin—and further transforms staking rewards and funding rate income into yield via sUSDe, offering users a reliable and sustainable on-chain interest stream.

3.1.1 Core Products: USDe and ENA Token

USDe – Ethena’s Synthetic Dollar

USDe is a synthetic U.S. dollar issued by Ethena, designed to be a stable, scalable digital currency independent of traditional financial infrastructure. Pegged 1:1 to the U.S. dollar, it maintains its stability through delta hedging and mint-redeem arbitrage, making it a dependable medium of exchange and store of value in volatile crypto markets.

ENA – Native Utility Token of the Ethena Protocol

ENA is the native utility token of the Ethena ecosystem. ENA holders can participate in governance by voting on key protocol decisions, such as risk management frameworks,

collateral composition, integrations, and partnerships. Additionally, ENA serves as an incentive mechanism to help maintain USDe's peg and overall system functionality, making it a vital component of the protocol.

3.1.2 Operational Mechanism of the Ethena Protocol

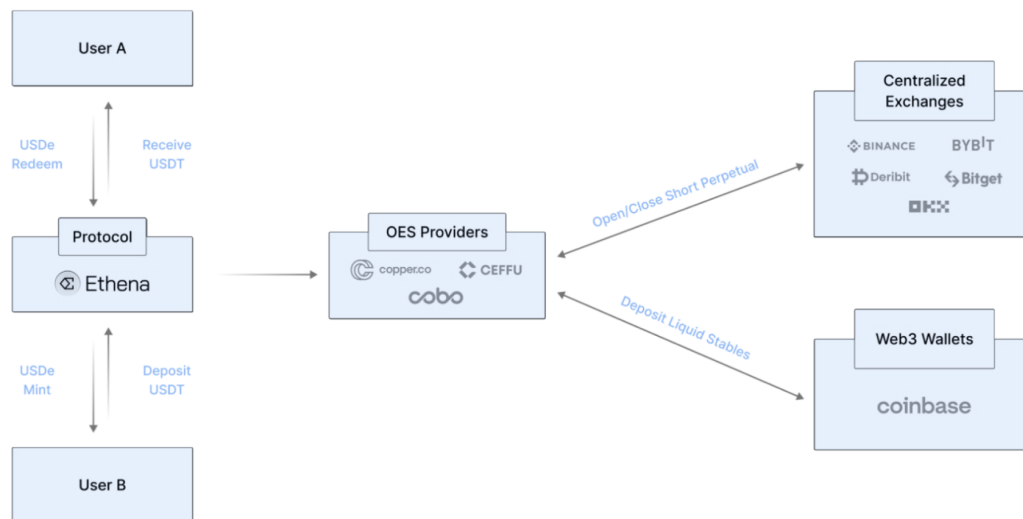
Ethena's key innovation lies in its delta-neutral strategy that ensures the price stability of USDe while distributing natural on-chain yield (from staking and funding rate arbitrage) to users through sUSDe.

(1) USDe Minting Logic and Delta Hedging

Users can mint USDe using ETH or stETH as collateral. The protocol then:

- Automatically opens short positions in the perpetual futures markets;
- Maintains delta-neutral exposure to eliminate ETH price volatility;
- Earns yield from staking rewards and the positive funding rate from short positions.

Figure 4: How USDe Works



(2) sUSDe Reward Mechanism

sUSDe is the yield-accruing version of USDe. Users must stake their USDe to receive sUSDe and earn rewards. Key features include:

- **Auto-compounding:** Rewards are reinvested automatically per block;
- **Composable Yield Token:** sUSDe can be used as collateral in other protocols;

- **Dynamic APY:** Yield fluctuates based on staking rewards and perp market funding rates.

(3) User Participation Pathways & Yield Sources

Ethena generates protocol rewards from three primary sources:

1. **Perpetual Futures Funding Rate Arbitrage** – Short positions on centralized exchanges often receive positive funding.
2. **Staking Rewards** – From consensus and execution layers of staked ETH/stETH.
3. **Basis Spread & Incentives** – Additional returns from basis trading, and fixed rewards from Liquid Stables.

The entry barrier for users is relatively low. The typical participation flow is:

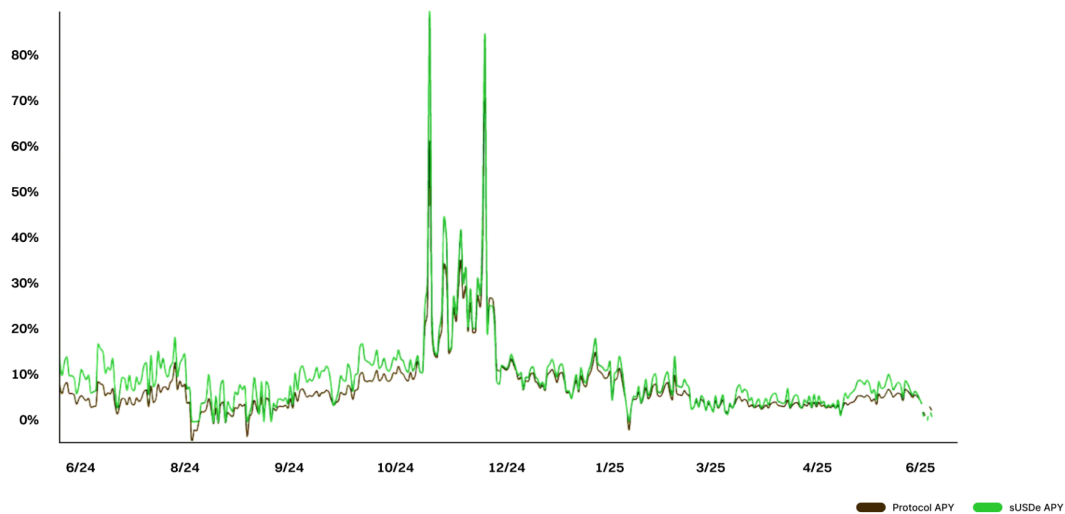
Figure 5: USDe User Participation Path and Yield Sources

Step	Action Description	User Yield Source
1	User deposits ETH/stETH	Staking rewards from the collateral asset
2	Receives equivalent amount of USDe	Tradable or usable in Earn products
3	Deposits USDe to receive sUSDe	Yield from perp short funding rate (positive) + stETH staking rewards
4	Holds sUSDe to earn continuous yield	Floating APY, auto-compounding, withdrawable at any time

sUSDe has performed exceptionally well over the past year, with its APY fluctuating between 5% and 25% (depending on market funding rates and staking rewards). It currently stands at approximately 7.39%, significantly outperforming traditional stablecoin savings products, making it one of the leading on-chain yield-bearing stablecoin projects.

Ethena's Total Value Locked (TVL) has reached \$5.94 billion, experiencing rapid growth since the project's launch and securing its position as the 7th largest DeFi protocol. Currently, Ethena's total staked assets amount to \$5.87 billion, primarily composed of stablecoins (50%), BTC (32%), ETH (12%), ETHLSTs (5%), and SOL (1%).

Figure 6: Ethena Protocol APY vs sUSDe APY



Gate Research, Data from: Ethena

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3.1.3 USDe Yield Strategies & User Guide

As USDe and the Ethena protocol continue to gain momentum, more users are seeking efficient ways to participate in this “stable yield system.” Currently, there are four main participation paths, each tailored to different risk appetites and user expertise levels—ranging from conservative strategies to advanced arbitrage opportunities.

Path 1: Ethena Earn Module (Core Strategy)

The most direct and popular method is through Ethena’s official Earn module:

Steps to participate:

1. Visit app.ethena.fi
2. Use USDT or USDC to swap for USDe on the Swap page
3. Deposit USDe on the Earn page to mint sUSDe and start earning yield

Yield structure:

- Base yield: From short funding rates on perp markets + staking rewards from stETH, ~4.5% APY
- Bonus incentives: Quarterly \$ENA airdrops of 3%–5% for stakers

Total effective APY: Ranges between 9%–11%, compounded daily.

Best suited for: Users seeking stable passive returns with minimal effort.

Path 2: Liquidity Pools (Cross-Chain Strategy)

For users seeking higher returns and willing to accept more risk, participating in cross-chain liquidity pools is an option. USDe and its wrapped version tsUSDe are now available on the TON network, paired with USDT/USDC on major DEXes.

How to participate:

- Add tsUSDe-stablecoin liquidity via a TON-compatible wallet or DEX
- Receive LP tokens and earn both liquidity mining rewards and \$ENA airdrops

Expected APY: Up to 18%

Risks: Impermanent loss (IL) from price fluctuations

Best suited for: Experienced users comfortable with cross-chain operations and LP provision

Path 3: Arbitrage via Centralized Exchanges (Advanced Strategy)

Advanced users can exploit arbitrage opportunities as some centralized exchanges treat \$sUSDe as a yield-bearing, bond-like asset. This opens up strategies such as:

- Selling future sUSDe yield at a premium during price volatility
- Arbitraging price differences across platforms

Note: This path involves complex operations and market timing, and is not recommended for casual users.

Path 4: Hold sUSDe and Wait for ENA Airdrops

Finally, the lowest-barrier option: simply holding sUSDe and waiting for ENA airdrops.

Currently, Ethena is running its Season 4 “Sats Campaign”, expected to continue until September 24, 2025. During this period:

- Just hold sUSDe
- Earn quarterly airdrop allocations of \$ENA
- No additional action required

Best suited for: New users or passive investors looking for a “low-effort, stable return” strategy

From the Earn module and cross-chain LPs to CEX arbitrage and passive airdrop farming, the USDe ecosystem provides a diverse set of yield strategies to accommodate different user types. Each path offers a unique balance between yield, risk, and complexity—allowing users to tailor their strategy based on individual preferences and capabilities.

3.2 USDS – Upgraded from Dai (DAI) to USDS

The Sky Protocol (formerly MakerDAO) has launched a new generation of stablecoin—USDS—and a governance token, SKY, through brand upgrades and product iterations. Centered around its core subproject SparkFi, the protocol offers users a variety of high-yield opportunities.

3.2.1 Sky's New-Generation Yield-Bearing Stablecoins: USDS and sUSDS

USDS (United States Dollar Sky) is a 1:1 upgraded version of the decentralized stablecoin Dai (DAI). Like DAI, USDS remains decentralized and overcollateralized, designed to maintain a 1:1 peg to the U.S. dollar. However, its key innovation lies in its native yield mechanism: users can earn returns through SKY token incentives and the Sky Savings Rate (SSR), positioning USDS as a “yield-bearing stablecoin.”

sUSDS (Savings USDS) is the yield-accruing token generated when users deposit USDS into the SSR system. As an upgraded version of sDAI, it offers higher yields, complies with the ERC-4626 standard, and features auto-compounding returns and high flexibility (transferable, stakeable, and lendable). sUSDS is supported on Ethereum, Base, and other multichain networks.

SKY is the upgraded governance token of the original MakerDAO's MKR, with a 1:24,000 conversion ratio. It now forms the governance core of the Sky ecosystem. Holders can vote on critical decisions, stake SKY to mint and borrow USDS, and earn staking rewards in USDS.

3.2.2 Mechanism: How Value and Yield Are Created

(1) USDS Minting and Peg Stability

- **Minting:** Users can mint USDS by depositing eligible crypto assets (e.g., ETH, wstETH, WBTC) or Real World Assets (RWAs) into the Sky Protocol as collateral, ensuring overcollateralization and stability.
- **USD Peg:** USDS maintains its peg through automated smart contracts and collateral management systems.

(2) Sky Savings Rate (SSR) System

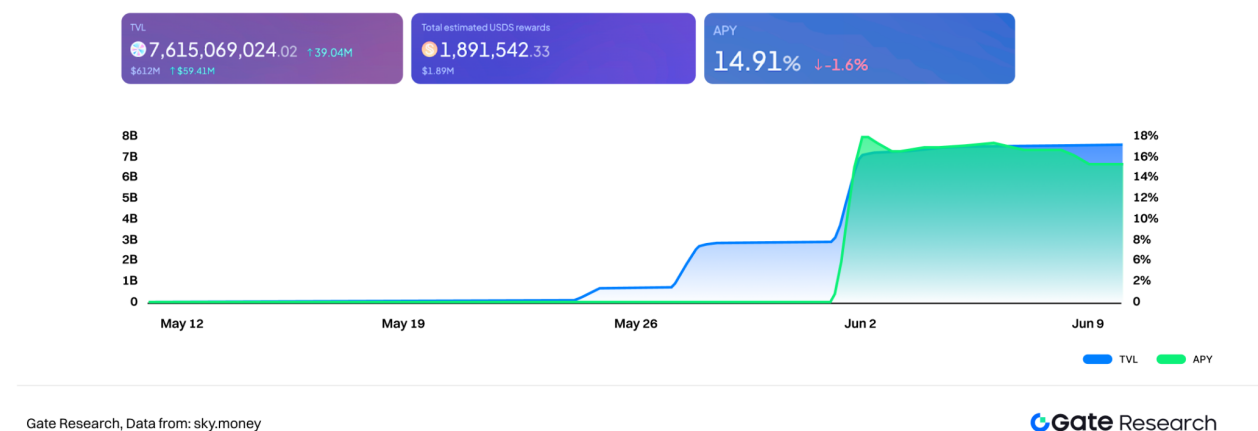
- **USDS to sUSDS:** Users deposit USDS into the SSR system to receive sUSDS.
- **Yield Accumulation:** Sky uses a dynamic model to periodically add USDS to the SSR pool. Over time, the value of sUSDS in a specific pool gradually increases.
- **Withdrawal:** Users can redeem sUSDS back into USDS, receiving both the principal and accumulated returns.
- **Goal:** SSR is designed to provide passive income for USDS holders while encouraging long-term holding and ecosystem stability.

(3) Core Yield Sources

- **Borrowing Fees:** Users borrowing USDS pay stability fees, a portion of which is distributed to sUSDS holders.
- **Liquidation Proceeds:** Fees generated from liquidating undercollateralized positions are shared with the system.
- **RWA Yield:** The protocol invests in RWAs (e.g., U.S. Treasuries) to generate real-world yield and improve stability.
- **SKY Token Incentives:** sUSDS holders can participate in governance and earn SKY token rewards based on their contributions.

Sky Protocol currently offers USDS-denominated staking rewards for SKY stakers, with an APY of approximately 14.91%. The total USDS reward pool is around \$1.89 million, and the protocol's total value locked (TVL) has reached \$7.6 billion. As of the end of May, Sky Protocol's projected annual profit from USDS exceeds \$90 million (excluding SKY token incentives). The total value of collateral remains over \$10.5 billion, maintaining a collateralization ratio of 129%, with over \$7 billion in USDS supply. Sky Savings has over \$3 billion in TVL, offering an APY of 4.5%, and distributed about \$8.6 million in rewards in May alone. Monthly SKY token rewards exceed \$460 million.

Figure 7: Sky Protocol TVL and APY



3.2.3 USDS Yield Strategies and User Guide

Sky Protocol, through USDS and its core subproject SparkFi, offers users flexible and high-yield DeFi participation options. Below are several yield strategies and actionable steps:

Path 1: Stake USDS to Receive sUSDS (Stable Strategy)

Leverage SSR for auto-compounded yield—ideal for conservative users or “on-chain savers.”

- Mint USDS by depositing eligible crypto assets into Sky Protocol.

- Deposit USDS into the Sky Savings Rate (SSR) system to receive sUSDS (current APY: up to 4.5%).
- sUSDS passively appreciates in value. Users are encouraged to monitor yield trends and deposit during high-APY periods.

Path 2: Stake SKY Tokens to Earn Stablecoin Rewards

- Stake SKY tokens into the Sky Protocol's Staking Engine.
- Earn up to 14.91% APY in USDS while borrowing USDS based on staked SKY.
- Staking SKY grants both yield and governance rights, including delegation of voting power.

Path 3: Spark Protocol Airdrop and Points Maximization

- **Base Yield:** Swap USDC for USDS on SparkFi's official site and deposit USDS. The current APY is ~4.5%, and each USDS YT or LP earns 25 points per day.
- **SPK Airdrop Strategy:**
 - **Valid methods:** Collateralize ETH and borrow USDS on Spark's lending platform, then deposit USDS into Pendle; or supply wstETH/rETH/ETH/GNO to borrow USDS/DAI. Other strategies include borrowing wstETH using ETH as collateral.
 - **Invalid methods:** Supplying sUSDS/sDAI to borrow stablecoins, or using USDS/DAI as collateral to mint sUSDS/sDAI disqualifies users from airdrop eligibility.
- **Boosting Points:**
 - **Content Creation:** Publish quality content (data analysis, memes, etc.) tagged with #SparkFi on X, and mention @sparkdotfi and @cookiedotfun.
 - **Task Engagement:** Actively complete tasks on Galxe and other platforms.
 - **Community Involvement:** Engage in Discord (discord.gg/tkAahUm5) to earn XP and discover new tasks.
 - **Referral System:** Unlock referrals after collecting 10 Snaps to invite active users and earn a 10% contribution bonus.

Path 4: Composite Yield Strategy (Advanced Strategy)

- **Leverage with sUSDS/sUSDC:** These yield-bearing stablecoins can be used as collateral in protocols like Euler to borrow additional assets. Reinvesting the borrowed funds creates a dual-layer strategy: "deposit for interest + borrow for yield," enhancing capital efficiency.
- **Cross-Chain Yield Opportunities:** Explore high-APY opportunities for USDS on other chains, such as Base (~7.5%), Ethereum (~5.5%), Arbitrum (~5.1%), Solana (~4.8%), and Optimism (~4.5%).

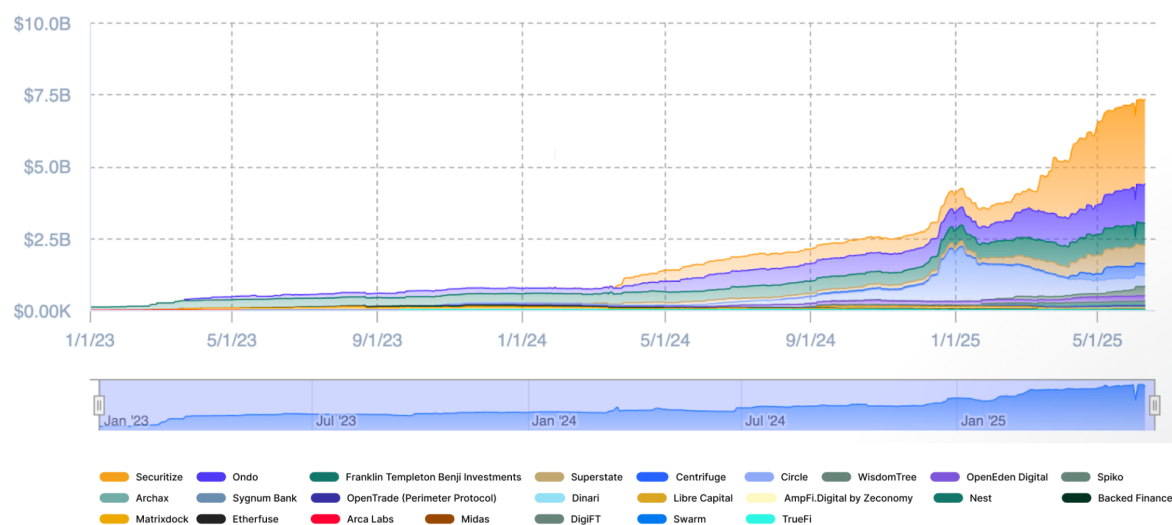
While Sky Protocol and SparkFi show strong growth potential, users should remain aware of risks such as protocol security, peg stability mechanisms, interest rate model sustainability, and

long-term viability of incentive programs. Overall, Sky is redefining the stablecoin paradigm with USDS and sUSDS, aligning capital efficiency, user experience, and cross-chain interoperability—positioning itself as a core DeFi component. By applying the above strategies, users can achieve low-risk capital appreciation while maximizing rewards from the SPK airdrop.

3.3 USDY – Yield-Bearing Stablecoin by Ondo Finance

Ondo Finance is an institution-focused decentralized finance (DeFi) protocol that aims to bring real-world assets (RWAs)—such as U.S. Treasuries and money market funds with low or zero risk and stable returns—on-chain. One of its core products, USDY, is a yield-bearing stablecoin designed for non-U.S. individual and institutional investors, offering a dollar-denominated stablecoin alternative with embedded yield. According to data from RWA.XYZ, Ondo and Securitize are leading players in the tokenized Treasury sector. Ondo's U.S. Treasury-backed RWA market size has reached \$1.375 billion, with a monthly growth rate of 16.86% and a market share of 18.74%, ranking second only to the BlackRock-backed Securitize platform.

Figure 8: Market Size of US Treasury-Based RWAs



Gate Research, Data from: rwa.xyz

Gate Research

3.3.1 Asset Products: USDY and OUSG

Yield-Bearing Stablecoin: USDY

USDY is a yield-bearing USD stablecoin issued by Ondo Finance and pegged 1:1 to the U.S. dollar. It is fully backed by short-term U.S. Treasuries and demand deposits in banks. These reserves are held in a bankruptcy-remote Special Purpose Vehicle (SPV) called Ondo USDY LLC, ensuring legal separation between assets and issuer, thereby enhancing asset safety. Key

institutional partners include Morgan Stanley and StoneX (for Treasury custody), and First Citizens Bank and Coinbase Prime (for deposit services).

USDY's core feature is automatic daily yield accrual, combining the stability of the U.S. dollar with interest earnings. Its annualized yield tracks the SOFR rate, minus a management fee of approximately 0.5%, resulting in a current APY of around 4.29%.

Tokenized U.S. Treasury Fund: OUSG

OUSG is a tokenized Treasury product designed for qualified institutional investors. Its underlying asset is BlackRock's iShares Short Treasury Bond ETF, with participation requiring KYC verification. OUSG's reserves also include shares in other Treasury funds issued by Franklin Templeton (FOBXX), Wellington, WisdomTree, Fidelity, etc. Earnings are auto-compounded for growth. A 0.15% management fee is charged to institutional clients, in addition to underlying fund fees.

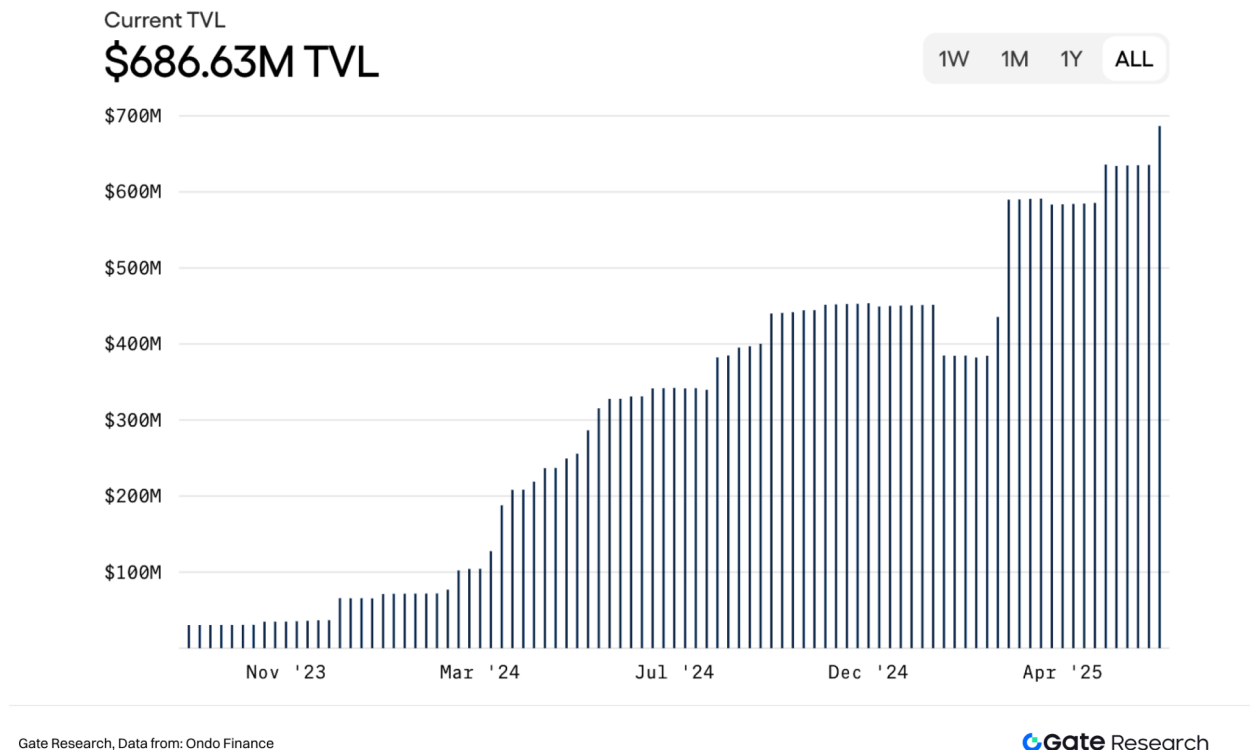
3.3.2 Operational Mechanism: How USDY Generates and Distributes Yield

(1) Collateralization and Issuance

USDY is issued by Ondo USDY LLC, a legally separate and bankruptcy-remote SPV. The entity's equity and assets are pledged as collateral, and token holders are designated as beneficiaries via a trust structure. Reserves—including short-term Treasuries and bank deposits—are held by regulated custodians, ensuring full 1:1 backing.

According to Ondo Finance's website, USDY's total value locked (TVL) has surpassed \$680 million, and it is available across eight blockchains, including Ethereum and Solana.

Figure 9: USDY Total Value Locked (TVL)



(2) Yield Accrual and Distribution

- **Daily Settlement:** Interest is settled daily and reflected in the token's value, allowing holders to see automatic growth in USDY quantity or intrinsic value without needing to claim manually.
- **Yield Source:** Earnings mainly come from interest on short-term U.S. Treasuries and bank deposits. Ondo sets the annual yield for USDY monthly (e.g., 4.25%), distributing most of the return to holders and retaining ~0.5% as fees.
- **Rebase Token (rUSDY):** USDY can be converted into a rebase-enabled token, rUSDY, which increases in quantity as yield accumulates—similar to Lido's stETH—providing a more intuitive display of yield growth.

(3) Compliance and Regulation

USDY is offered under Regulation D/S exemptions, meaning it is primarily available to qualified or non-U.S. investors. To facilitate decentralized backend interaction, Ondo partners with DeFi protocols like Flux Finance to support lending markets for permissioned tokens like OUSG using stablecoin collateral.

3.3.3 USDY Yield Strategies and User Guide

USDY provides various strategies for on-chain investors seeking stable dollar-denominated returns. Below are common approaches for acquiring USDY and boosting returns via DeFi protocols:

Path 1: Basic Holding and Swapping (4.29% Base Yield)

The simplest strategy is holding USDY to receive automatic daily yield (currently ~4.29% APY). Acquisition methods:

- Institutions: Can contact Ondo Finance directly to purchase;
- Retail Users (for smaller amounts): Swap USDC or USDT for USDY via DEXs. Recommended to check pool depth, set slippage (0.1%), and enable MEV protection;
- Deposit Support: Accepts USDC/USDT deposits, and supports USD wire transfers for amounts >\$100,000.

Path 2: Staking USDY in DeFi Protocols (Layered Yield Strategy)

- **Action:** Deposit USDY into DeFi protocols (e.g., Scallop Protocol, NAVI Protocol) to earn both native yield and lending/incentive rewards;
- **Yield:** Staked USDY earns its base yield (~4.25% APY), plus lending interest and ecosystem incentives (e.g., token rewards, fees).
 - NAVI Protocol displays total APY directly (currently around 13%);
 - Scallop requires combining lending interest with base USDY yield.

Figure 10: Stablecoin APR Ranking on NAVI Protocol

Assets #	Supply #	Borrow #	Supply APR #	Borrow APR #
USDY \$1.09	5.82M \$6.36M	2.24M \$2.45M	13.004%	7.176%
USDT \$1	2.99M \$2.99M	2.12M \$2.12M	9.544%	16.832%
wUSDC Wormhole \$1	3.34M \$3.34M	2.29M \$2.29M	8.937%	16.289%
suiUSDT Sui Bridge \$1	22.53M \$22.53M	13.91M \$13.91M	8.92%	8.326%
USDC \$1	85.15M \$85.14M	54.34M \$54.33M	8.426%	8.068%

Path 3: Advanced Strategy – Borrow High-APR Stablecoins for Reinvestment

The Scallop Protocol on Sui offers a leveraged yield-loop strategy to amplify USDY returns:

1. Deposit USDT into a “collateral pool” to continue earning Treasury-backed base APY;
2. Borrow high-APR stablecoins (e.g., USDC, sUSDT, FDUSD) from the “debt pool”;
3. Boost borrowing power by locking SCA (Scallop’s governance token), increasing rewards multipliers (up to 3.5–4x);
4. Reinvest borrowed stablecoins into higher-yield protocols:
 - Bucket Protocol (@bucket_protocol): ~12% APY, interest paid in SUI;
 - Moledfi (@Moledfi): ~17% APY, partial interest in SUI;
 - Suilend (@suilendprotocol): 5%–8% APY with SEND points for rewards;
 - Scallop Lending Pool: Earn Scoin (e.g., sSUI, sUSDC), which can be further used in other protocols.

Harvesting & Reinvestment: Periodically harvest SUI (can be staked as haSUI for ~3% extra yield) and SCA (can be locked as veSCA or deposited into lending pools for ~12% APY).

Additionally, users can borrow high-risk assets (e.g., WAL, DEEP) to chase 100%–200% APYs, but this requires stringent risk controls. With protocol combos like those on Scallop, investors can significantly increase capital efficiency and total return—but must also be mindful of DeFi risks and market volatility.

3.4 Other Stablecoin Alpha Strategy Opportunities

3.4.1 Falcon Finance: A Rising Star Backed by DWF Labs

Falcon Finance is a stablecoin protocol supported by crypto market maker DWF Labs. It aims to issue a USD-pegged stablecoin called USDf, generating on-chain arbitrage returns through collateralizing stablecoins and major assets (such as USDC and ETH). Its mechanism is similar to Ethena Labs and Resolv Labs, with yield primarily derived from funding rate arbitrage. Currently, its yield-bearing asset sUSDf offers an APY of approximately 14.3%.

How to participate:

- Acquire USDf: Users can swap for USDf via platforms like Uniswap, Curve, and Balancer (be mindful of liquidity and slippage). Alternatively, users can complete KYC on the official website to convert USDC, USDT, or ETH into USDf.
- Stake USDf to receive sUSDf (yield-bearing asset):
 - Classic Yield Mode: Flexible staking with no lockup; APY around 14%.
 - Boosted Yield Mode: Lock for 3, 6, or 12 months to receive 1.05x, 1.25x, or 1.5x enhanced yields; redemption is unavailable during the lock period.
 - *Note:* sUSDf is an auto-compounding asset (not 1:1 pegged); its unit value increases over time due to yield accumulation. The staking exchange is not a 1:1 swap.

Exit options: Users may redeem sUSDf for USDC/USDT at a 1:1 ratio using the official redeem function (with a 7-day withdrawal window), or sell on DEXs (with potential slippage or loss).

Advanced strategy: Users can engage in leveraged yield strategies via the sUSDf/USDC lending pool on Morpho, enabling looped lending to amplify returns. However, this involves interest rate fluctuations and liquidation risks and is not recommended for beginners.

3.4.2 Lista DAO: A Yield-Bearing Lending Hub on BSC

Lista DAO is a leading lending and stablecoin protocol on BNB Chain. Its core stablecoin USD1 has gained significant traction due to partnerships with the Trump-affiliated USD1 and listing on Binance, pushing it into the top five stablecoins and establishing it as a key yield-generating DeFi platform on BSC.

High-yield strategy: Pendle + Lista arbitrage (up to 20%-22%+ APY under proper LTV and spread conditions, 2x the base PT-sUSDE yield).

Steps:

1. Purchase PT-sUSDE on Pendle (fixed yield ~10%).
2. Use PT-sUSDE as collateral on Lista Lending to borrow USD1.
3. With borrowed USD1, choose among:
 - Basic strategy: Lend or interact with other DeFi dApps (4%-8% APY), minimal risk.
 - Advanced strategy: Deposit USD1 into the USD1/BNB lending pool (borrow rate ~0.07%), borrow BNB, and stake into Lista's liquid staking system to earn up to 16.5% APY.
 - Loop strategy: Swap borrowed USD1 for USDT, re-buy PT-sUSDE and repeat the loop, reaching up to 3x leverage for amplified returns.

3.4.3 Other Stablecoin-Based Alpha Opportunities

Beyond these core protocols, the modular EVM chain Hyper EVM by Hyperliquid offers a novel yield opportunity through stablecoin-based market making. Users can deposit USDC, USDT, and other stablecoins into the HLP (Hyper Liquidity Provider) vault to serve as liquidity providers, earning yields (~19%+ APY) from trade matching fees. This model relies less on incentive subsidies and is considered more sustainable, suitable for mid- to long-term holding and compounding strategies.

3.5 Summary

In the increasingly diversified DeFi yield landscape, USDe, USDS, and USDY represent the leading yield-bearing stablecoins, each offering unique value propositions and yield strategies across synthetic derivatives, on-chain governance, and real-world asset backing. While all aim to deliver yield-bearing USD exposure, they differ significantly in mechanism, source of return, user profiles, and ecosystem alignment.

- USDe by Ethena, as a synthetic dollar, emphasizes delta-neutral hedging strategies to provide high yield and stability during market volatility, further incentivized by ENA airdrops.
- USDS by Sky Protocol (an evolution of DAI) leverages the SSR mechanism and SparkFi ecosystem to deliver layered yields and governance engagement.
- USDY by Ondo Finance is backed by real-world assets such as US Treasuries and bank deposits, offering a transparent, compliant on-chain bond proxy for non-US investors, with daily auto-compounding returns.

Figure 11: USDe vs USDS vs USDY

Characteristic / Stablecoin	USDe (Ethena Labs)	USDS (Sky Protocol)	USDY (Ondo Finance)
Definition	A synthetic dollar that maintains its peg through delta hedging; yield comes from funding rates and staking rewards.	A 1:1 upgraded version of DAI, decentralized and overcollateralized, with built-in native rewards (SKY tokens and SSR yields).	A yield-bearing stablecoin fully backed by short-term U.S. Treasuries and bank deposits.
Underlying Support	Collateral assets like ETH/stETH + derivative short positions (delta hedging).	Overcollateralized by crypto assets (ETH, wstETH, WBTC) and Real World Assets (RWAs).	Backed by short-term U.S. Treasuries and bank demand deposits (via bankruptcy-remote SPV).
Primary Yield Source	Positive perp funding rates + ETH/stETH staking yields + ENA token airdrop incentives.	Sky Savings Rate (SSR) yield (from borrowing fees, liquidation fees, and RWA investments) + SKY staking rewards.	Interest from U.S. Treasuries and bank deposits (auto-compounded daily); net yield referenced to SOFR after fees.
Yield Format	Staking USDe to mint sUSDe with auto-compounding and ENA airdrop rewards.	Depositing USDS into SSR to receive sUSDS with value accrual; staking SKY earns USDS rewards.	Holding USDY passively accrues interest; can convert to rUSDY for token quantity increase.
Current Base APY	sUSDe ~7.39% (range: 5%-25%); with airdrops total yield may reach 9%-11%.	sUSDS ~4.5% (SSR).	USDY ~4.29%.
Special Incentives / Airdrops	ENA airdrops (e.g., Q4 "Sats Campaign"); holding sUSDe earns allocation weight.	Spark Protocol (Sky subproject) SPK token airdrop (requires specific strategies like lending USDS).	-
Target Users	DeFi users seeking synthetic USD stability and high yields.	Former MakerDAO users and those looking for yield-bearing stablecoins with Sky ecosystem incentives.	Global non-U.S. residents and institutional investors.
TVL (Recent)	Ethena: \$5.94B (Ranked 7th among DeFi protocols).	Sky Protocol total TVL: \$7.6B.	USDY: \$680M (Ondo ranks 2nd in U.S. Treasury RWA market).
Advanced Yield Strategies	Cross-chain LPs (e.g., tsUSDe-stablecoin on TON, up to 18% APY), CEX arbitrage.	Spark Protocol point tasks, composite strategies (e.g., lending and reinvesting using sUSDS as collateral), multi-chain yield (Base, Ethereum).	DeFi staking (e.g., Scallop, NAVI, up to 13%), lending out high-APR stables for reinvestment (e.g., Sui ecosystem strategies like Bucket Protocol up to 12%, Moledifi up to 17%).
Risks	Delta hedging risk (depeg during extreme market conditions), centralized exchange risk, smart contract risk.	Collateral risk, smart contract risk, DeFi protocol risk, sustainability of incentives.	Underlying asset risk (USTs/bank deposits), contract risk, 40-50 day initial lock-up, DeFi protocol risk.

In addition to these flagship assets, new innovative strategies are rapidly emerging:

- Falcon Finance's USDf, backed by DWF Labs, offers flexible and locked staking options with up to 14.3%+ APY and supports leveraged DeFi strategies.
- Lista DAO provides a robust yield infrastructure on BNB Chain, integrating stablecoins like USD1 and protocols like Pendle for high-yield compounding strategies.
- Hyper EVM introduces a market-making yield model where stablecoin providers earn sustainable returns from liquidity provision.

In conclusion, from stablecoin pegging logic to yield generation mechanisms, yield-bearing stablecoins in DeFi are evolving into multi-layered, multi-mechanism, and multi-ecosystem value capture systems. Investors can tailor their participation across synthetic models, governance-linked frameworks, RWA yield strategies, or high-level arbitrage loops to systematically capture the next wave of Alpha in the stablecoin sector.

4. Stablecoin Alpha Field Guide: Strategy Logic and Toolkits

In the realm of stablecoins, “Alpha” does not simply refer to high yields—it refers to structurally sound, sustainable, and differentiated sources of excess return. Through an in-depth analysis of mainstream yield-bearing stablecoins, the core Alpha sources can be categorized into four strategic paths: mechanism innovation (e.g., synthetic assets or novel staking models), leverage-based capital efficiency (e.g., recursive lending strategies), off-chain yield integration (e.g., U.S. Treasuries or interest rate arbitrage), and incentive mechanisms (e.g., airdrop points and protocol rewards). This chapter systematically outlines Alpha capture strategies and operational tools across these four dimensions, providing a structured field guide for stablecoin Alpha execution.

4.1 Alpha Capture Strategy Logic

Strategy 1: Unearthing Early-Stage Yield-Bearing Stablecoin Projects

One of the core ways to find alpha is by discovering early-stage yield-bearing stablecoin projects. First, focus on the innovativeness of the project's mechanism, especially whether it has a compounding structure or embeds on-chain/off-chain yielding assets. For instance, Ethena's sUSDe stablecoin generates sustainable returns by delta-hedging spot long positions with on-chain perpetual shorts, which are then returned to users. Similarly, Spark Protocol's sUSDS, built on U.S. Treasury-backed assets, establishes an auto-compounding yield model and layers SPK point incentives, leading to a dual boost in on-chain cash flow and expected incentives.

Next, pay attention to the project's multi-chain deployment and liquidity distribution. Multi-chain deployment (e.g., Ethereum, Base, Blast) usually means wider user coverage and richer incentive resources. Users can track metrics like TVL changes and liquidity pool yield fluctuations via on-chain data platforms such as DefiLlama, DeBank, and Token Terminal to assess the sustainability of the alpha.

Finally, premium alpha yields often emerge during the window when tokens haven't launched yet and are in an incentive-point phase. During this period, accumulating airdrop points by bridging assets, providing liquidity, or participating in task activities is a crucial way to capture hidden annualized returns (5%-15%). Typical alpha signals include: the launch of a points page, ecological cooperation incentives, and the initiation of LP farming activities.

Strategy 2: Constructing Stablecoin Compounding Yield Loops

Structured stablecoin looping arbitrage paths are currently among the strategies with the most significant yield-stacking effects. Taking sUSDe as an example, users can collateralize sUSDe to obtain USDC, then use that USDC to re-purchase sUSDe, forming up to three rounds of compounding operations. In this process, users not only continuously earn the annualized yield provided by sUSDe itself (around 10%) but also enhance their principal size through the leverage structure.

Furthermore, users can participate in LP market making on Uniswap, Curve, or Ethena's native AMM with their holdings to earn additional ENA Points or platform incentive points. Additionally, these paths often come with high expected airdrops (e.g., Ethena's initial ENA airdrop was distributed via points), with implied returns potentially reaching 8-12% APY. When constructing such paths, users can utilize on-chain tools such as Morpho Blue, Aave, Spark, and Kelp (lending modules), as well as combination tools like Instadapp, Summer.fi, and Rage Trade.

Strategy 3: Low-Risk Alpha - RWAs Yield Stacking Strategy

For users seeking stability and low volatility, stablecoin yield strategies built around Real World Assets (RWAs) are an excellent choice. The core logic involves holding stablecoins backed by real assets (such as U.S. Treasuries, repurchase agreements), like USDY and USDM, to earn off-chain fixed income. This is then further stacked with on-chain liquidity yields through methods like LP market making, and additional point rewards are gained via ecological bridging and incentives.

For example, Ondo Finance's USDY derives its base yield from off-chain short-term U.S. Treasuries, with a current holding APY of 5.3%. If users participate in USDY/USDC LP market making on Uniswap, they can earn an additional 2-4% in liquidity incentives. Simultaneously, USDY also offers the Ondo Points ecological incentive mechanism, which is expected to bring 3-5% in point-based returns. The overall path offers stable returns with low risk, making it suitable for investors targeting consistent income.

Strategy 4: Incentive-Driven Alpha - Airdrop and Points Farming

Airdrop and points incentive strategies are one of the key paths for on-chain users to achieve "hidden alpha." Key signals for identifying alpha include: whether the project has launched a points system (e.g., Spark Points, ENA Points), whether there's a strong community expectation for an airdrop, and whether the investment institution backing is reputable (e.g., supported by a16z, Paradigm). Additionally, whether the project has yet to issue its token is a crucial factor in gauging early incentive-phase potential.

In these paths, the user's core operational logic isn't about high-frequency trading or complex leverage. Instead, it's about continuously completing project-specified interactive behaviors, such as depositing funds, bridging assets, providing LP market making, and participating in tasks, thereby accumulating monetizable point assets. For example, Ethena's ENA Points can be earned by holding sUSDe and participating in liquidity mining, ultimately converting into ENA

airdrops. SparkFi's Spark Points are also distributed based on sUSDS holdings and LP interaction, and may further integrate with the Maker ecosystem in the future, unlocking MKR-related incentive value.

4.2 Toolkits and Resources for Finding Alpha

Figure 12: Tools for Capturing Yield-Bearing Stablecoin Alpha

Tool Type	Platform Name	Purpose
Capital Flow Analysis	DeFiLlama / Artemis.xyz	Track where capital is flowing
APY Monitoring	llama.fi / vaults.fyi	Real-time APY tracking
Airdrop Tracking	Airdrop.io / Alpha Drops /CryptoRank	Discover incentive opportunities
Strategy Aggregators	Instadapp / Summer.fi /Pendle	Construct and optimize yield strategies
Points Tracking	Native protocol sites + Galxe	Understand points logic and multiplier rules

4.3 Risk Identification and Mitigation Recommendations

While stablecoin alpha strategies offer potential for structured returns, they also come with specific on-chain risks that users need to consciously identify and mitigate. Below are four common types of risks in current mainstream yield strategies and recommendations for addressing them:

Mechanism Volatility Risk: Some high-yield strategies, like those based on perpetual short hedges, depend on specific market conditions. If the underlying strategy fails, it will directly impact the sustainability of returns. We recommend users allocate a portion of their portfolio to stablecoins backed by real-world assets (e.g., U.S. Treasuries, repurchase agreements), such as USDY, USDM, or sUSDS, to build a robust foundation for their earnings.

Liquidation Risk: When employing leveraged looping strategies, significant market volatility can trigger liquidation mechanisms on lending platforms, leading to principal loss. To counter this, you should set up automatic liquidation protection (e.g., Flash Repay), maintain a moderate health factor ($LTV < 70\%$), and prioritize lending platforms that support real-time health factor monitoring (e.g., Morpho Blue, Spark).

Liquidity Risk: Some emerging stablecoin projects may have limited liquidity pool depth in their early stages. Large buy or sell orders, or withdrawals, could face significant slippage or asset devaluation. Before executing trades, we advise users to check the TVL and trading depth of

the corresponding pools on mainstream DEXs like Curve and Uniswap to avoid heavily investing during periods of thin liquidity.

Project Security Risk: Many early-stage projects might not have undergone a complete auditing process, or they may have excessive centralized control (e.g., funds controlled by a multi-signature wallet, unable to be traced on-chain). When choosing projects to participate in, prioritize protocols that have completed audits and have strong backing (e.g., supported by a16z, Paradigm, Framework) to reduce compliance and security risks.

5. Stablecoin Alpha Field Guide: Strategy Logic and Toolkits

Yield-bearing stablecoins represent the next evolutionary phase in stablecoin development—from *static peg* to *dynamic value accrual*. Backed by short-term U.S. Treasuries, on-chain derivatives strategies, or real-world asset yields, these stablecoins offer users a seemingly "risk-free" way to earn on-chain income.

However, beneath this innovation lie non-negligible risks and structural challenges:

- **Technical risks:** Smart contract vulnerabilities, cross-protocol exposure, and lack of transparency in fund management can lead to losses.
- **Regulatory risks:** Unclear legal status, centralized custodianship, and return volatility limit their classification as "safe" financial instruments in the traditional sense.
- **Market risks:** Limited liquidity, low user adoption, and strong platform dependency constrain their broader application.

Moreover, the core source of current returns—short-term U.S. Treasury yields in a high-rate environment—is inherently cyclical. Once the Fed enters a rate-cutting cycle, T-Bill yields will decline, directly reducing the earning potential of these stablecoins.

The key to long-term viability lies in building sustainable, compounding on-chain yield structures that can weather interest rate cycles. Future yield-bearing stablecoins will likely evolve beyond static models, and instead embrace:

- Diversified RWA integration, including corporate bonds, real estate, and carbon credits, to bring real-world yield on-chain
- Long-duration Treasury bonds (20–30 years) with coupon-locking mechanisms, creating stable return curves across cycles
- Programmable cash flows via smart contracts, enabling structured asset allocation and improved capital efficiency

Within this framework, stablecoin Alpha is no longer simply about "earning interest," but rather a structured arbitrage system that integrates real yield, mechanism design, airdrop points, and

on-chain strategy composition. Its long-term value lies in building a stable income platform that balances liquidity, security, yield potential, and compositional flexibility.

For retail users, the key is to identify early-stage opportunities, manage risk, and seize incentive windows. For institutions and professional investors, the true value of yield-bearing stablecoins lies in their role as foundational units of on-chain programmable cash flows—serving as critical bridges that connect off-chain yield to the on-chain financial ecosystem.

Author: Ember

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