

The world in brief

Catch up quickly on the global stories that matter



Photograph: AP

The **Israel Defence Forces** said its soldiers were on the outskirts of **Gaza city** and preparing to begin its planned assault. In anticipation of the takeover, the IDF called up 60,000 reservists and extended the service of 20,000 already drafted. The plan, which faced internal opposition in Israel, will forcibly relocate hundreds of thousands of Gazans to the south of the enclave.

Russia's foreign minister, Sergei Lavrov, said that the Kremlin would have to approve any **security guarantees** given to **Ukraine** as part of a peace deal, in effect making them [worthless](#). His comments seemed to contradict the Trump administration's claim that Vladimir Putin, who met Donald Trump on Friday, had agreed to European and American security guarantees.

Mr Trump called on Lisa Cook, a **Federal Reserve** board member appointed by Joe Biden, to resign. His demand comes after Bill Pulte, a federal housing finance regulator, accused Ms Cook of committing mortgage fraud and asked America's Justice Department to investigate. The president has launched a [pressure campaign against the central bank](#) and its chair, Jerome Powell, to lower interest rates.

Target's shares fell after the American retailer announced that its chief operating officer will soon take over as boss. The company is under pressure to turn around sagging sales, further complicated by [tariffs](#); some investors reportedly think an outsider may be more effective. Earlier Target reported better earnings than expected, although sales were down by 0.9% compared with the previous year.

Britain's annual **inflation** rate rose from 3.6% in June to 3.8% in July, its highest level in 18 months. Higher transport costs were partly responsible. Services inflation, which is watched closely by the Bank of England, accelerated to 5%. That will dampen hopes that the bank will soon cut rates.

Tech stocks fell for a second day. The NASDAQ index closed down by around 0.7% on Wednesday, after falling by 1.4% on Tuesday. The S&P meanwhile dipped 0.2%. Shares in [Palantir](#) and Nvidia were among those to slide earlier in the day. The sell-off is happening amid fears that high valuations of AI firms will prove to be a bubble.

Denmark will abolish value-added tax on books to encourage more reading. Some 24% of Danish 15-year-olds have [trouble understanding simple texts](#), according to a recent OECD report. The Danish government said that the 25% sales tax, the world's highest, was contributing to the "reading crisis". The proposal will cost the annual budget an estimated 330m kroner (\$52m).

Figure of the day: 250,000, the number of civilians living in the Ukrainian-controlled parts of Donetsk, a province that Vladimir Putin wants to seize. [Read the full story.](#)



Photograph: Getty Images

Israel weighs a ceasefire in Gaza

On Monday Hamas reportedly gave a positive response to a ceasefire proposal drafted by Egypt and Qatar. The news was unsurprising. It followed a frenzy of diplomatic activity by Egypt, including talks in Cairo with Hamas leaders and representatives of their rivals, the Palestinian Authority. Hamas has come under increasing pressure to seal a deal. Israel is preparing for a renewed offensive against Gaza city, where the group has most of its remaining strongholds.

The ceasefire plan currently sets out a 60-day truce in return for the release of ten Israeli hostages held by Hamas. But for it to materialise, Israel and America will have to join the talks directly. Binyamin Netanyahu, Israel's prime minister, has been non-committal. He is pretending not to feel the pressure of [mass protests](#) within Israel calling for an end to the war. But if that were true, doubtless he would have rejected the latest proposal out of hand.



Photograph: Getty Images

Baidu struggles to keep up

Baidu has a bad rap as a second-rate Chinese tech giant. But the Beijing-based search-engine firm is actually more successful than most at “embodied artificial intelligence”, the kind of [AI](#) that is integrated into systems that interact with the world around them. The company has more than 1,000 autonomous taxis operating worldwide and wants to grow its fleet. After a rollout later this year, an expansion in Dubai is planned for 2026. It recently struck a partnership with Lyft, a ride-hailing group, to introduce them in Europe.

What will that mean for Baidu’s second-quarter earnings, which it reports on Wednesday? Probably not much. The robotaxi business is not yet profitable. And investors worry that the advent of generative [AI](#) is eating into Baidu’s search business, which relies on selling ads. Robin Li, the company’s co-founder and chief executive, is a visionary when it comes to autonomous driving. But he is less good at steering the firm’s shorter-term [AI](#) strategy.



Photograph: AP

Europe's uncertain economic outlook

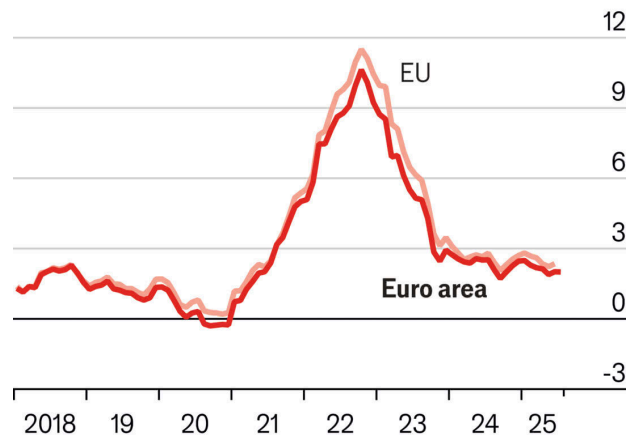
On Wednesday the European Union released inflation figures for the euro zone in July. As expected, the annual increase has held steady since June, at 2%. The European Central Bank, which targets an inflation rate of 2%, will have breathed a sigh of relief

.In June the ECB cut interest rates by a quarter of a percentage point, to 2%. It was the bank's eighth cut in 12 months, starting when rates were around 4%. Inflation appears to have been tamed. But European exports to America now face a 15% tariff, which threatens to weaken growth.

Still, it is uncertain whether the ECB will cut rates further when it meets on September 11th. Analysts are split on whether it will hold out until the end of the year or make one more cut. Much will depend on the details of last month's [deal](#) between the European Union and America's government. They remain unclear.

Crossing the Alps

Europe, consumer prices,
% change on a year earlier



Source: Haver Analytics



Photograph: Getty Images

China's indirect interest-rate cut

China has the biggest banking system in the world. Its loans and other assets amounted to over 444trn yuan (almost \$62trn) at the end of last year, equivalent to 330% of the country's GDP. But in July something unusual happened. The yuan loan book of China's banks shrank for the first time in 20 years. One reason is that households are reluctant to take out mortgages or other kinds of debt because China's property market is dire and its [job market](#) shaky.

How will banks respond? On Wednesday they kept their "loan prime rate", a benchmark interest rate, unchanged. They are not expected to lower it until the central bank drops its own policy rate again. In the meantime, China's government has announced a new subsidy for consumer loans, shaving one percentage point off the interest rate. That is better than nothing. But it will take something bigger to revive the world's biggest loan book.



Photograph: Disney

How a murder in Perugia sparked a media frenzy

“The Twisted Tale of Amanda Knox”, an eight-part drama series, begins streaming on Hulu on Wednesday. Executive-produced by Ms Knox and adapted from her memoir, it explores the aftermath of the murder of Meredith Kercher, Ms Knox’s British flatmate, in Perugia in 2007. Ms Knox, an American, was studying in the Italian city. She and her then-boyfriend were found guilty and spent almost four years in prison for Kercher’s murder. Eventually they were [acquitted](#).

Ms Knox has said she tried to “reclaim a sense of agency” by making the show. It is co-produced by Monica Lewinsky, another woman whose youth was blighted by scandal. The show portrays Ms Knox acting nonchalantly during the investigation, reports of which caused controversy at the time. She maintains she did this to cope with stress. The media frenzy surrounding the case got in the way of a more serious point raised by Ms Knox’s wrongful conviction: the need to reform Italy’s criminal-justice system.



Illustration: The Economist

Daily quiz

We will serve you a new question each day this week. On Friday your challenge is to give us all five answers and, as important, tell us the connecting theme. Email your responses (and include mention of your home city and country) by 1700 BST on Friday to [\[email protected\]](#). We'll pick randomly from those with the right answers and crown three winners on Saturday.

Wednesday: What was the first Agatha Christie novel to feature Miss Marple?

Tuesday: What word for happiness also means “the raising of someone to an important position”?

Space isn't remote at all. It's only an hour's drive away if your car could go straight upwards.

Fred Hoyle