

## Catch up: fear of war in Lebanon grows; Britain's £22bn "black hole"



**America** and **Germany** called on their citizens to leave **Lebanon** amid fears that Israel might go to [war with Hizbullah](#), an Iran-backed Shia militia based in the country. Binyamin Netanyahu, Israel's prime minister, vowed a "severe" response after a rocket killed 12 people in the Israeli-controlled Golan Heights on Saturday. Hizbullah, which has been launching rocket attacks on Israel since the beginning of the war in Gaza, has denied responsibility for the attack.

Rachel Reeves, **Britain's** chancellor, delivered a [grim assessment](#) of the country's finances to the House of Commons. Ms Reeves said she would plug a £22bn (\$28bn) "black hole" by cutting infrastructure spending and ditching winter fuel payments for well-off pensioners. She promised not to raise "taxes on working people", but did not rule out other tax increases in the autumn.

Joe Biden, **America's** president, proposed three reforms to the Supreme Court in the wake of its ruling that Donald Trump and other former American presidents are [immune from prosecution](#).

The measures include term limits for justices, a binding code of conduct and a constitutional amendment scrapping presidential immunity. In light of the divisions in Congress and the difficulty of amending America's constitution, the reforms are highly unlikely to be implemented.

**Iran** is trying to undermine **Donald Trump's** election bid with "covert social media accounts and related activity", according to America's intelligence agencies. The Office of the Director of National Intelligence said in a statement that Iran probably wants to "avoid an outcome they perceive would [increase tensions](#)". The intelligence community observed a similar Iranian influence campaign against Mr Trump in the 2020 election.

**McDonald's** fell short of analysts' expectations in its second-quarter earnings. Global sales at restaurants that have been open for more than a year fell by 1%, the first such drop since 2020. The average cost of a [Big Mac](#) in America has increased by 21% since 2019. In a bid to win back American consumers, the fast-food chain recently launched a \$5 meal-deal.

The **Wagner Group** acknowledged for the first time that it suffered heavy losses in battles with rebels in the north of [Mali](#) last week. Some 25 fighters are believed to have died, marking the highest number of casualties sustained by the [Russian mercenary organisation](#) since it was deployed to the country in 2021. Russian military bloggers said that the mercenaries were ambushed, while Wagner itself blamed a sandstorm.

The organisers of the **Olympics** cancelled a second day of triathlon training in the [Seine](#) ahead of the men's event on Tuesday. World Triathlon, a governing body, judged that the river's water quality was unsuitable after heavy rain over the weekend caused pollution levels to rise and increased the speed of its current. France has spent some €1.4bn (\$1.5bn) trying to improve its sewage system ahead of the games.

**Figure of the day:** \$105bn, the total value of chips and other AI equipment that Nvidia is expected to sell this year. [Read the full story](#).

*In the run-up to America's presidential election, we've launched [The US in brief](#)—a daily update to help you keep on top of the political stories that matter. [Sign up here](#) to receive it as a newsletter, each weekday, in your inbox.*

# A reboot for Spain's battered judiciary



On Tuesday the 20 members of the General Council of the Judiciary, which appoints [Spain's judges](#), will choose their new president. That is no longer a routine matter. The council, whose membership must be approved by a three-fifths majority of parliament, has become a political prize. For five years the opposition People's Party blocked its renewal. It took the mediation of the European Commission to strike a deal in June between the PP and the governing Socialists. They each proposed ten names for a combined list.

The new council has work to do to restore the judiciary's reputation. The opposition thinks that a controversial amnesty for Catalan separatists pushed through by Pedro Sánchez, the prime minister, undermines the rule of law. The separatists and the Socialists call the accusations against them “lawfare”. Spain is not Hungary, whose populist leader, Viktor Orban, controls the courts. But the council will need to prove it is not swayed by the politicians.

# Will Microsoft's AI strategy pay off?



Technology companies have had a rough week. After disappointing earnings from Alphabet and Tesla on July 23rd, investors in tech firms started to fret about whether investments in artificial intelligence will pay off. The next day the tech-heavy NASDAQ composite index fell by 4%, its biggest one-day drop since 2022.

On Tuesday all eyes will turn to [Microsoft](#), which reports its quarterly earnings. The software giant is betting big on AI—which has helped to propel its share price upward by 77% since the start of 2023. But the initial costs are enormous. Capital spending is expected to jump by a fifth in the next year to \$53bn, much of which will be spent on AI. During its last earnings call in April Microsoft said that the technology had helped to boost sales from its cloud-computing business by roughly \$1bn. Investors will be watching for further promising signs this time.



# America's strategy in the Philippines



In Manila on Tuesday, the [Philippine](#) foreign and defence ministers are holding joint talks with their American counterparts. America is strengthening its network of alliances in Asia to counter China's rising military power and its "grey-zone" intimidation of neighbours.

The American defence secretary, Lloyd Austin, and secretary of state, Antony Blinken, are due to announce \$500m in military aid and a further \$128m to upgrade the so-called EDCA sites—Philippine bases to which American forces now have access for "rotational forces". The American duo held equivalent talks in Tokyo on Sunday, announcing plans to create a warfighting American military command in Japan. They will also meet their Australian counterparts next week.

President Joe Biden's administration has been creating a "lattice-work" of new security arrangements on top of old alliances in Asia. That will reassure the Philippines and Japan that America is, for now, committed to their security. But that may well change if Donald Trump is elected president.

# Europe's stagnating economy



Europe's economy was stagnant last year, but [returned to growth](#) during the first quarter of 2024. Over the past couple of months, growth in output has likely stalled once again. In July the euro zone's services and manufacturing sectors expanded at the lowest pace in five months, according to an index based on a survey by S&P Global, a research firm. In Germany the index was below 50, which signals a contraction. The European Union releases GDP data on Tuesday, which will probably show a return to stagnation.

That might prompt the European Central Bank to cut interest rates at its next meeting in September. The ECB slashed rates from an all-time high of 4% to 3.75% in June. But it left them unchanged in July. Although services inflation remains high, overall inflation has come down. Prices rose by 2.5% year on year in June, close to the central bank's target of 2%. Lower interest rates could help the economy return to growth.

# West Side BAAND-Aid



The fourth annual edition of the BAAND Together Dance Festival begins on Tuesday at New York City's Lincoln Centre. Over five days the city's leading companies will perform in sequence, each showcasing a different style of ballet. The joint extravaganza will involve five companies: the Ballet Hispánico, the Alvin Ailey American Dance Theatre, the American Ballet Theatre, the New York City Ballet, and the Dance Theatre of Harlem. The idea is to display both their spectacular talents and the cultural diversity of a city that embraces both modern and classical dance.

The inspiration for a joint performance came during the covid-19 pandemic, when idled artistic directors would meet to cheer each other up. The choreography will be by names well-known in the industry: George Balanchine, Hans van Manen, William Forsythe, and Annabelle Lopez Ochoa. But the work of up-and-coming choreographers, such as Brady Farrar, known for a stint on "Dance Moms", a TV show, will feature too.



## Daily quiz



*The Economist*

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 GMT on Friday to [QuizEspresso@economist.com](mailto:QuizEspresso@economist.com). We'll pick randomly from those with the right answers and crown three winners on Saturday.

**Tuesday:** In which Florida resort did Ernest Hemingway own a house, which is now a museum to his memory?

**Monday:** Who is the only man to win 100m and 200m running gold medals at three consecutive Olympics?

**\$105bn**

*The total value of chips and other AI equipment that Nvidia is expected to sell this year.*

*Read the full story.*

**Laws are like sausages, it is better not to see them being made.**

*Otto von Bismarck*