

The world in brief

Catch up quickly on the global stories that matter



Photograph: VCG via Getty Images

Donald Trump said he was withdrawing the **National Guard** from three American cities—Chicago, Los Angeles and Portland, Oregon—where state and local officials **objected** to their presence. The reversal comes days after the Supreme Court **refused to authorise** the troops' deployment in Chicago. The president credited the guard with bringing down crime and pledged to redeploy soldiers if rates increase.

American stock indices closed 2025 higher than they did a year ago, despite volatility induced by **Mr Trump's tariffs** and concerns of a **possible AI bubble**. The S&P 500 posted annual gains of 16%, while the tech-heavy NASDAQ was up by 20%. **Silver futures** rose by around 150% annually, as investors **piled into precious metals** in anticipation of rate cuts.

Finnish authorities seized a ship sailing from **Russia** on suspicion of damaging an undersea telecoms cable between Finland and Estonia. Police have also reportedly arrested the vessel's 14 crew members. The suspected sabotage is one of several recent similar incidents in the Baltic Sea, which is becoming a **battleground** between NATO and Russia.

The Trump administration imposed sanctions on four companies that it said were operating in **Venezuela's** oil industry, as well as four tankers linked with the firms. It said the vessels were part of a shadow fleet that helps to provide money for Nicolás Maduro's "illegitimate narco-terrorist regime". Mr Trump has been [ratcheting up pressure](#) on Venezuela's strongman in recent weeks.

Iran appointed a new central-bank governor and announced a public holiday as anger over living standards prompted the largest anti-government demonstrations in years. The protests, which began on Sunday, have been fuelled by the country's [ailing economy](#). Iran's currency, the rial, has plunged to record lows against the dollar and the annual inflation rate has risen above 40%.

China announced it had "successfully" completed two days of military exercises around **Taiwan**. The [self-governing island](#) kept its forces on high alert and condemned the Chinese drills, which involved firing rockets into the sea close by as well as deploying warships and jets. During his New Year's Eve address, [Xi Jinping](#), China's president, said that "reunification" was "unstoppable".

Thailand released 18 **Cambodian** soldiers it had held for 155 days. The repatriation was part of a renewed ceasefire deal the South-East Asian countries struck over the weekend, although it was delayed by one day after Thailand accused Cambodia of violating the truce. The neighbouring countries have been [fighting on and off](#) after a ceasefire negotiated in July broke down.

Figure of the day: 24m, the number of Americans enrolled in health-care plans through marketplaces created by the Affordable Care Act. [Read the full story.](#)



Photograph: Getty Images

Global trade will become more complex

Happy New Year. This is the last of our previews of the year's big stories. Today, what will shape finance and economics?

The outlook for [global trade in 2026](#) will hinge on how countries respond to America's tariffs and China's industrial glut. For many, protectionism is the path of least resistance. Mexico, eager to stay in Donald Trump's good graces, has announced a 50% duty on Chinese cars. Across South-East Asia, governments are considering how to shield local firms from Chinese exports.

At the same time, the search for markets to replace American demand is reshaping trade diplomacy. Mr Trump's tariffs have sent countries racing to lock in free-trade agreements. The rules-based trading order needs a champion. Some have floated the idea of linking the EU with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a group of 12 countries including Australia, Canada, Chile, Japan and Mexico that accounts for 14% of global GDP. But the CPTPP was built to American specifications, with looser regulatory standards. Do not expect a grand alliance in 2026.



Photograph: Getty Images

Interest rates will fall, bond yields may not

Central banks are cutting interest rates, global growth has slowed and China has been suffering from deflation. Meanwhile America's stockmarket valuations have reached perilous highs. That should make bonds a good bet. Perhaps not in 2026.

The world is in [a fiscal mess](#). In 2026 advanced economies' debt-to-GDP ratio will exceed 110%. As central banks have cut interest rates in recent years, long-term yields, which move inversely to prices, have not always co-operated.

Dangers loom in America. Donald Trump's tariffs will push up inflation. In May America's president will replace the chair of the Federal Reserve. The more credible the central bank's commitment to its inflation target remains under its new chair, the likelier it will be that America's long-term bond yields fall if the Fed cuts short-term rates. Meanwhile, if equity markets are right about AI's economic impact, it should raise investment across the board. This capital-expenditure spree will push up rates everywhere. Bond investors beware.



Photograph: Getty Images

The dollar's dominance under pressure

Despite a weaker greenback, the cost of borrowing in dollars [rose in 2025](#). Trade uncertainty pushed up risk premiums—extra costs that poor countries pay lenders. Many borrowers inside those countries are looking for other options.

Should banks and firms borrow more in yuan and euro, central bankers may furiously trade dollars away in 2026. Other governments offer inducements. China provides swap lines to its biggest trade partners. More than 40 countries have taken up the offer for emergency reserves of yuan. Together with Russia, India and other BRICS countries, China's central bank is building a digital payment system that circumvents the dollar.

Less than 60% of foreign reserves globally are now held in dollars, the lowest level in more than 20 years. But going further will be tricky. Dollarised foreign-exchange transactions still make up 90% of the total. And, though America is responsible for less than a tenth of global trade, half is still settled in greenbacks.



Photograph: Reuters

The battle over stablecoins

Stablecoins, the buzziest part of the [crypto world](#), are meant to maintain a steady value against another asset, usually the dollar. In 2025 the industry won formal approval from Donald Trump's government. But in 2026 sceptics and incumbents [will push back](#) against the crypto revolution, not least in Europe. The European Central Bank, which frets about losing control of its monopoly on money to private issuers, will lay out plans for its own, public, euro-denominated alternative. And traditional lenders fear stablecoins will pose a challenge to their bread-and-butter form of financing—retail deposits.

Regulatory clarity from America has, though, calmed some worries about stablecoins. Previously, stablecoins were issued outside America, and invested in a variety of assets. In 2022 a coin called Terra collapsed. But now the limits on what issuers can own—at least, those that want to operate in America—are far clearer. That should make collapses much less likely. Forecasts for the industry's growth are bullish.



Illustration: The Economist

Daily quiz

We will serve you a new question each weekday. On Friday your challenge is to give us all five answers and tell us the theme. Email your responses (and your home city and country) by 1700 GMT on Friday to [\[email protected\]](mailto:). We'll pick three winners at random and crown them on Saturday.

Thursday: Which sitcom title character moved back from Seattle to Boston when the show was revived in 2023?

Wednesday: What title is used by both the supervisor of a team of workers in a factory and the spokesman of a jury?

*Write it on your heart that every
day is the best day in the year.*

Ralph Waldo Emerson