

The world in brief

Catch up quickly on the global stories that matter



Photograph: EPA

Several people were killed during the fifth day of demonstrations over **Iran's ailing economy**. Protesters clashed with security forces in several parts of the country. State media said that at least three people were killed in the western city of Azna when a crowd tried to storm a police station. Masoud Pezeshkian, Iran's president, said his government would take action to "resolve the issue of people's livelihoods".

Switzerland declared five days of national mourning after a fire at a bar killed 40 people and injured roughly 115 more. Crowds had gathered at the venue in Crans-Montana, a popular tourist destination, for New Year's Eve. Guy Parmelin, the president, said most of the dead were youngsters. The cause of the fire is still being investigated, but police believe it was an accident.

America lowered **tariffs** that it had planned to impose on pasta imports from **Italy**. The Trump administration had earlier accused Italian pasta companies of dumping and threatened them with a 92% duty. But the officials now believe that the firms have addressed their concerns and have brought down the rates to between 2%-14%. The White House also delayed **increases in tariffs** on certain furniture products.

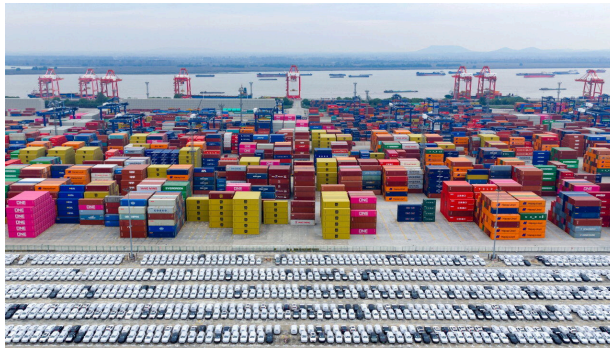
Shares in **BYD** rose after the Chinese electric-vehicle firm reported sales of 4.6m vehicles in 2025. The figure includes 2.3m fully electric vehicles, which means the firm is poised to overtake Tesla as the world's biggest EV-maker. The American firm reports results on Friday. BYD, however, is facing [big challenges](#) at home as local rivals, such as Xiaomi and Geely, eat into its market share.

Ukraine's president, Volodymyr Zelensky, said that **Russia** launched more than 200 drones at his country on the night of New Year's Eve, with many targeting energy infrastructure. Officials said Ukrainian air defences shot down most of them. Meanwhile Russia accused Ukraine of launching a strike on occupied parts of the Kherson region, killing 24 people. Ukraine's armed forces have yet to comment.

Yemen's Aden airport closed as a spat between Saudi Arabia and the United Arab Emirates intensified. The Saudi-backed Yemeni government called for restrictions on flights to the UAE in retaliation for Emirati support for [separatists in the country's south](#). However, officials linked to the separatists reportedly decided to close the entire airport instead. Saudi Arabia recently launched strikes on UAE-linked targets in Yemen.

Zohran Mamdani vowed to “govern as a democratic socialist” after he was sworn in as mayor of **New York City**. At his [swearing-in ceremony](#), which took place in a disused subway station under City Hall, the 34-year-old also emphasised the importance of public transport to his agenda. He announced the appointment of Mike Flynn, a city planner, as New York's transportation commissioner.

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.



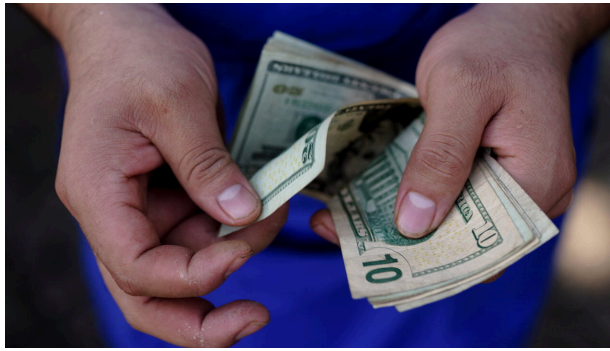
Photograph: Getty Images

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 [\[email protected\]](#). 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