Israeli offensive alive with some news on potential hostage release

Israeli forces continued their ground operations in northern Gaza, with specific actions including searching a hospital where they claim Hamas militants operate. There have been discussions about a potential deal involving the exchange of 50 hostages for a three-day ceasefire, intended to facilitate emergency aid deliveries to Gaza civilians. While US President Joe Biden suggested a deal was near, the White House Deputy National Security Adviser Jon Finer cautioned that such sensitive negotiations could collapse at any moment (link).

The seizure of an Israeli-linked cargo ship by Yemen’s Houthi rebels in the Red Sea reminds the complexity of the situation. Meanwhile in the rest of the world:
- The UN Security Council passed a resolution calling for the immediate release of all hostages held by Hamas and for urgent and extended humanitarian corridors throughout Gaza.
- US President Joe Biden commented that “a revitalized Palestinian Authority” should eventually govern the West Bank (link).
- Several EU Countries including France, Spain, Belgium and Ireland called for a total ceasefire, while others like Germany declined to endorse this arguing the right of Israel to self-defense.
- Iran continues to maintain a low profile and denied any involvement in the Red Sea ship seizure by Yemen Houthis. China’s Foreign Minister Wang Yi pledged to collaborate with Arab and Muslim officials to restore peace in the Middle East as soon as possible.

The BBVA Monitor: Signs of Moderation in most of the indexes outside the conflict

While risk levels in the Middle East remain high, signs of stabilization and moderation in the geopolitical indices of the EU and the US continue. Economic Policy Indices continue to be very resilient. Key developments over the past week include (Fig3):

- The levels of Geopolitical & Conflict sentiment remain at “Extreme Risk” in the Middle East, while sentiment is returning to normal in most EU Countries (Germany, Italy & Turkey) (Fig1 & Fig2).
- The Political Indexes sentiment eased in some of the Middle East (Iran and S.Arabia) and all the European countries (Fig2 & Fig3).
- The Protest Indexes need to be monitored in some of the Middle East (Egypt, Israel) and some Western countries (UK and Spain for local reasons).
- The Economic Policy Uncertainty remains resilient since the beginning of the Conflict helped by recent Central Bank decisions and the displacement of economic news to conflict ones.
Fig 3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES AFTER HAMAS-ISRAEL CONFLICT
(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)

Source: BBVA Research and www.gdelt.org

Fig 4. PROTEST SENTIMENT INDEX: M.EAST
(28-day weighted moving avg, normalized by its own history)

Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig 5. POLITICAL SENTIMENT: EUROPE
(28-day weighted moving avg, normalized by its own history)

Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig 6. BBVA RESEARCH PROTEST AND CONFLICT HEAT MAPS
(Evolution of Protest and Conflict over time by regions)

Source: BBVA Research and www.gdelt.org
Methodological annex: indicators’ construction

We have developed a daily tracker with weekly updates to monitor protest and conflict indicators for every country in the world from 2019 to present day. To construct this, we use a rich 'big database' of international events (GDELT), created by Leetaru and Schrodt (2013). GDELT is an open-source database which extracts and parses digital news monitoring world events covered by news media from nearly every corner of the world, whether broadcast, printed or published on the web, in over 100 languages, every moment of every day, updated every 15 minutes. Thus, it contains a comprehensive and high resolution catalog of geo-referenced events and themes.

Using different dictionaries, several thousands of taxonomies and themes are identified in the news pieces to classify the information. The algorithms used by GDELT also identify emotions, organizations, locations, news sources and events across the world as well as their average sentiment using Natural Language Processing (NLP) techniques and the lexicon approach.

The included indicators are:

- Geopolitical Risk: or sentiment (weighted by coverage) of the country's geopolitical risk perception.

- Political Tensions: or sentiment (weighted by coverage) of the country's political tensions.

- Economic Policy Uncertainty or sentiment (weighted by coverage) about the country's economic policy uncertainty, also disaggregated by media origin.

- Protests or coverage regarding social protests or unrest in the country.

- Conflict or coverage of armed conflicts, which go beyond verbal protests.

- Bilateral Tensions or the sentiment (weighted by coverage) between a specific pair of countries that appear together in the news article (plus NATO and EU).

The indicators track the evolution of tensions and are normalised by its own country history since 2019, thus they are all expressed in terms of standard deviations from their historical patterns. Indicators usually lie within the range [-1,1]. Therefore, when the values exceed one (the upper boundary of the range), this means escalating tensions. While it's possible to observe simultaneous tensions arising in multiple countries (for example, due to geopolitical events affecting several nations, as seen in some of our heatmaps), using these indicators for direct quantitative comparisons of risk levels between countries is not recommended.

We apply a weighted moving average of 28 days (to include four complete weeks with the same number of days of the weeks) to reduce noise of daily information and identify signals more clearly. The weights have been calculated using a discrete geometric distribution such that it puts more weight on recent data and less on past data (see Graph 1). Aggregating by weeks, the weight of the most recent week has a weight of 68%, the past week 22%, the previous 7% and the fourth 3%. The weight of the 28 days can be seen in the following image. In such a way, the indicators reflect what is happening in the last days.
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