

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
19 December 2023

The Hamas-Israel conflict escalates. Yemeni Houthis continue the attacks to international vessels*

The ongoing conflict between Israel and Hamas has seen a significant escalation and the bombardment of Gaza by Israel has been stepped up, resulting in significant Palestinian casualties. Some sources noted that Israel has suffered its heaviest combat losses since October indicating a severe intensification of the conflict. The reaction of the different players to events over the past week has been the following:

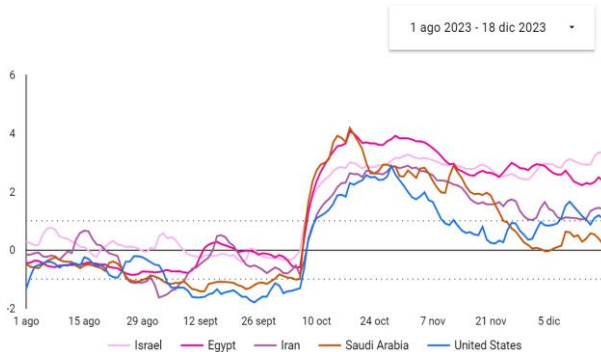
- **IMF:**The International Monetary Fund (IMF) has highlighted that the conflict in Gaza and Israel is causing immense human suffering and will have consequences for the broader Middle East and North Africa region, affecting both people and economies.
- **United States.** The United States Secretary of Defense Lloyd Austin is expected to arrive to Israel to discuss de-escalating the conflict and to announce a security initiative for the Red Sea. President Biden warned Israel to change course, warning that Israel is losing global support.
- **European Union:** The European Commission President visited Egypt and Jordan to discuss the crisis and oversee the handover of EU humanitarian supplies for civilians in Gaza.
- **Regional security concerns:** Yemen's Houthis claimed responsibility for a missile attack on a Norwegian commercial tanker, as reported by Reuters. Oil prices rose nearly 1 percent in Asian trade due to Houthi attacks on ships in the Red Sea and reduced exports from Russia, which have stoked supply fears.

The BBVA Monitor: Tensions remain in the key Middle East countries

Most of the indexes except those from countries directly involved in the conflict have returned to more neutral levels but some tensions remain. Argentinian indexes felt with the announcements of measures by the new Government:

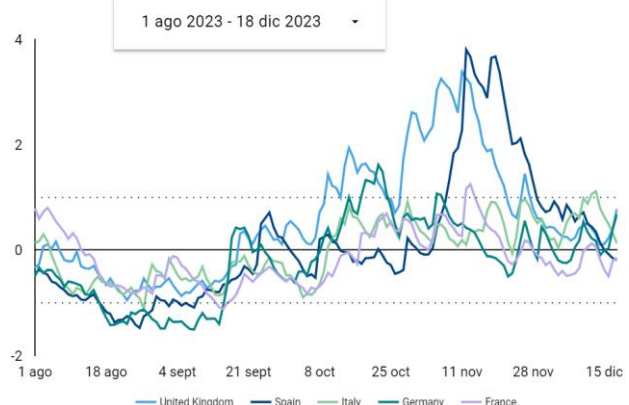
- The levels of **Geopolitical & Conflict sentiment** maintained high to extreme levels in the Middle East. Some Latam countries, which reflected high risk sentiment last week, came to normal (Fig 1 & Fig 2).
- The **Political indexes** remain neutral in most of the countries except Israel (Fig 2 & Fig 3).
- The **Protest indexes** continued to ease and returned to neutral. Only Egypt & Argentina remain at risk.
- The **Economic Policy Uncertainty index** kept resilient since the beginning of the conflict. However, Argentinian Economic Policy Uncertainty increased to risk level after the new adjustment measures introduced by the New Cabinet.

Fig1. **GEOPOLITICAL SENTIMENT: M EAST & US**
(28-day weighted moving average, normalized by its own history)



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

Fig2. **PROTEST SENTIMENT INDEX: EUROPE**
(28-day weighted moving avg, normalized by its own history)



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

*The selection of news has been enriched by the BBVA Research Geo Assistant developed with Chat-GPT.

Fig3. 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)

Summary of Signals After Hamas-Israel Conflict (December 12th)

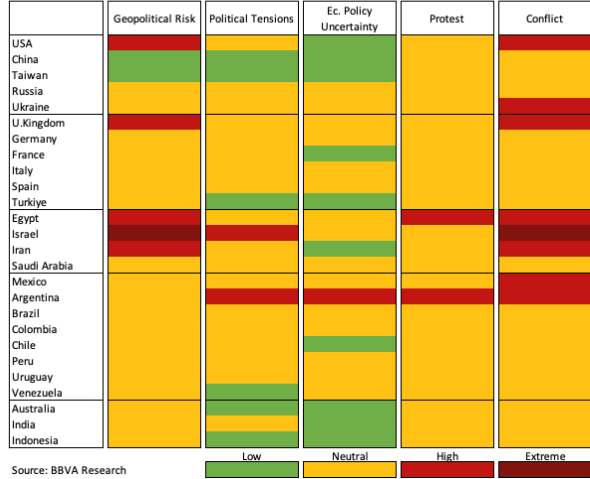
(News Sentiment Map. Sentiment relative to average sentiment in each country)



Source: BBVA Research

Summary of Signals After Hamas-Israel Conflict (December 19th)

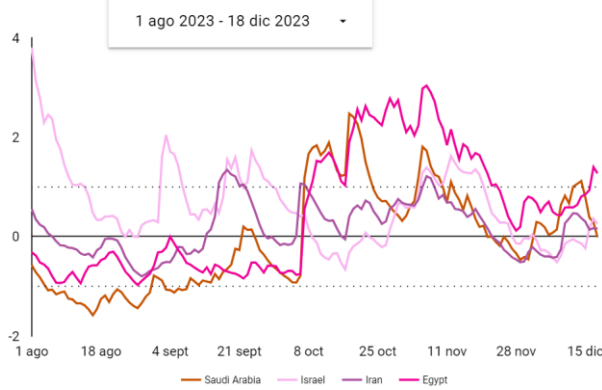
(News Sentiment Map. Sentiment relative to average sentiment in each country)



Source: BBVA Research

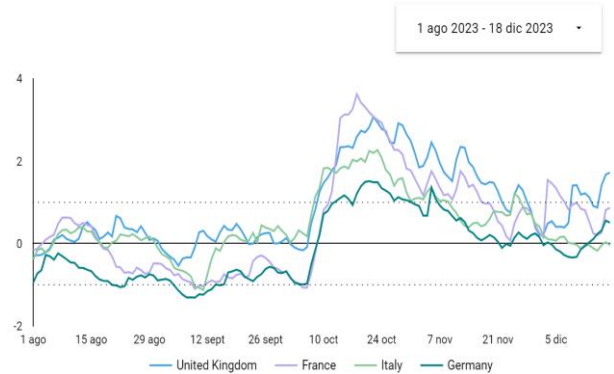
Source: BBVA Research and www.qdelt.org

Fig4. PROTEST SENTIMENT INDEX: M.EAST
(28-day weighted moving avg, normalized by its own history)



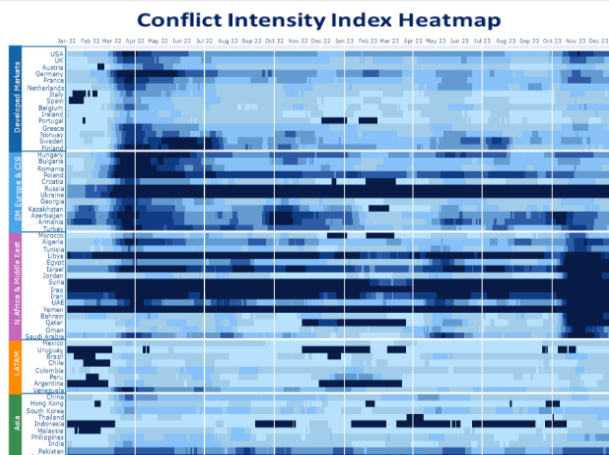
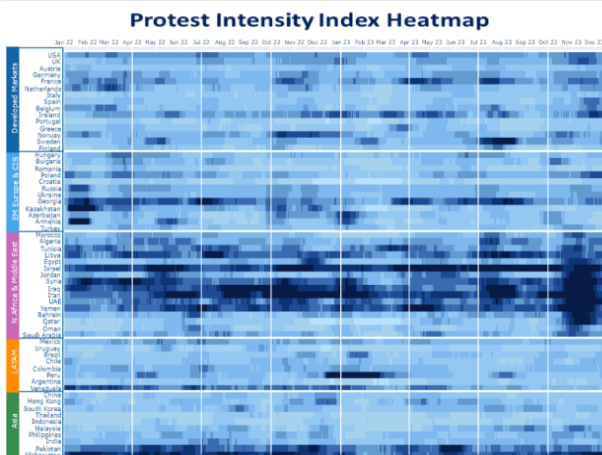
Source: BBVA Research & www.qdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig5. GEOPOLITICAL SENTIMENT: EUROPE
(28-day weighted moving avg, normalized by its own history)



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

Fig6. BBVA RESEARCH PROTEST AND CONFLICT HEAT MAPS
(Evolution of Protest and Conflict over time by regions)



Source: BBVA Research and www.qdelt.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 Schrodtt (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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