

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
16 April 2024

Israel weighs the response to the Iranian “measured” attack on Israel during the weekend. The US played a key role on “defense” and “diplomacy

Iran attacks Israel: Iran launched the first-ever direct attack on Israel. The attack was a “measured” drone and missile attack on Israel on April 13 as a retaliation for last week Israel's airstrike on the Iranian consulate in Damascus. The Israel cabinet met on Monday to discuss how and when to respond to Iran. US President Biden has urged Israel to use caution in any response and press allies for a united diplomatic front to stop hostilities from spiraling. Markets and analysts expect a contained response which does not endanger international cooperation. The scale of the sell-off in the market was limited. However the situation is complex and there is room for strategic accidents.

International Response: The diplomatic defense and diplomatic efforts were intense during the last week, including the assistance of the US in the Aerial defense system once it was clear that Iran would respond ([NYTimes](#)). The EU condemns in the strongest terms the Iranian attacks against Israel, defining it as “an unprecedented escalation and a threat to regional security” and reiterating “its commitment to the security of Israel. In this highly tense regional situation, further escalation can be in no one's interest. We call on all parties to exercise utmost restraint” ([EU Statement](#)) (Fig 2).

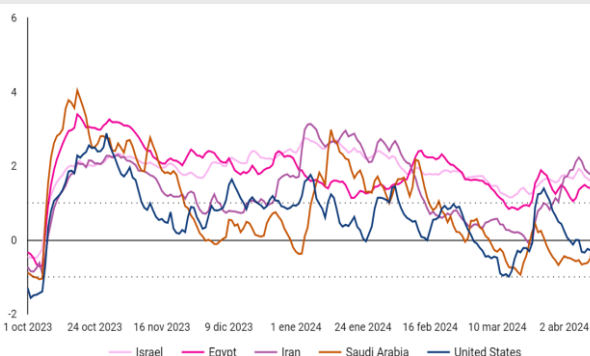
Mexico & Ecuador: Mexico said it will file a case against Ecuador at the International Court of Justice on Monday after the late Friday night arrest of Glas prompted Mexican President Andrés Manuel López Obrador to order the immediate suspension of diplomatic ties with Quito. President Lopez Obrador called the act a “flagrant violation of international law and the sovereignty of Mexico”, increasing the political tension index (Fig 5).

The BBVA Monitor: Geopolitical risk rose in the Middle East and US after the Iran attack

The main changes during the week were:

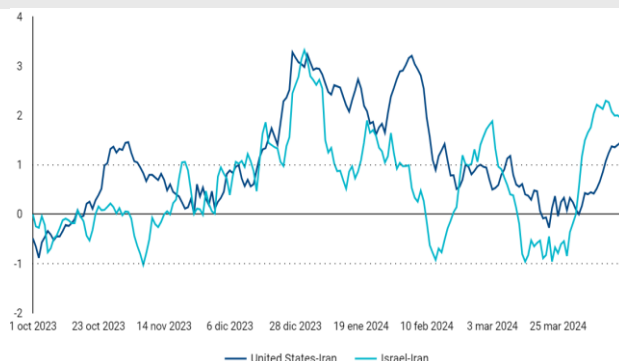
- The **levels of Geopolitical risk, Conflict and Political Tensions increased sharply in the Middle East, Saudi Arabia and the US** as the Iran attack raised uncertainty and tensions in the region (Fig 1, 2 & 3).
- The attack increased **Geopolitical risk and Political** indicators in **Europe** (UK, Germany and France) too. The conflict indices in Russia and Ukraine continued in the high-risk area (Fig 3).
- In Latam, **Geopolitical risk** indicators continued increasing in Argentina and, to a lesser extent, in Mexico, while they eased in Brazil and Ecuador, approaching the neutral area (Fig 3 and Fig 4).

Fig1. **GEOPOLITICAL SENTIMENT: M EAST & US**
(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

Fig2. **BILATERAL TENSIONS: USA-IRN & ISR-IRN**
(28-day weighted moving avg, normalized by its own history)

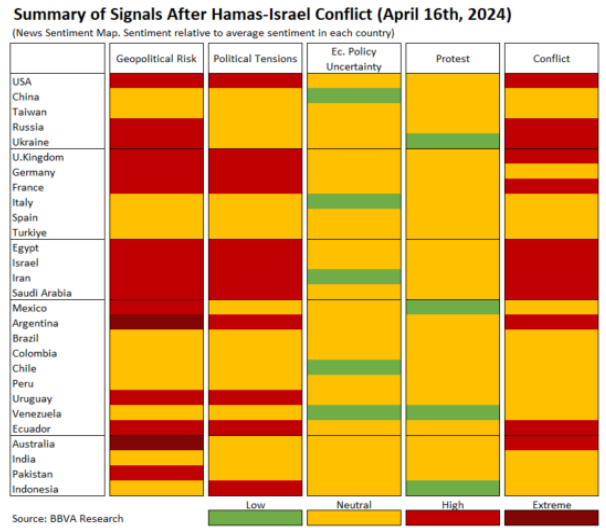
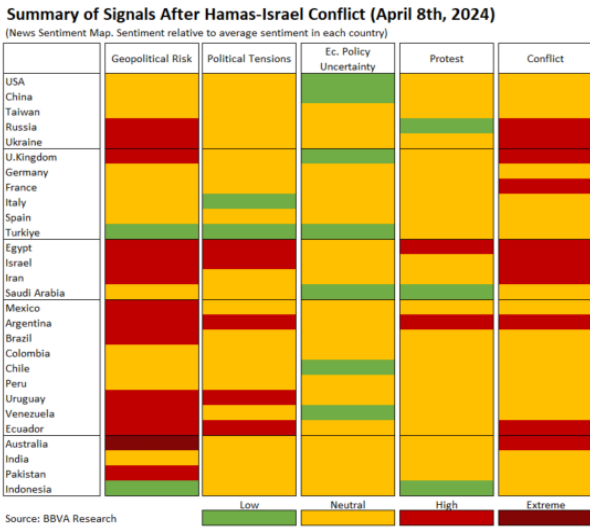


Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

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

Fig3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES
(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)

BBVA Research Geopolitics Monitor main "Signal" changes after the Hamas-Israel Conflict



Source: BBVA Research and www.qdelt.org

Fig4. GEOPOLITICAL SENTIMENT: LATAM
(28-day weighted moving avg, normalized by its own history)

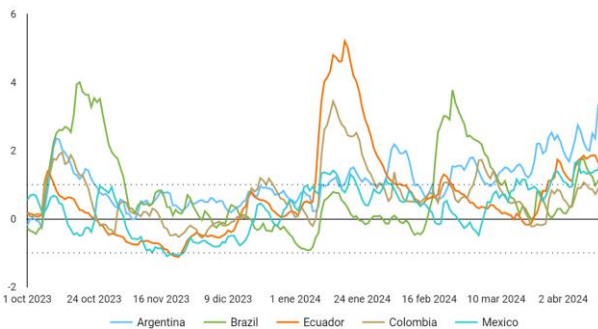


Fig5. POLITICAL TENSIONS INDEX: MEX & ECU
(28-day weighted moving avg, normalized by its own history)

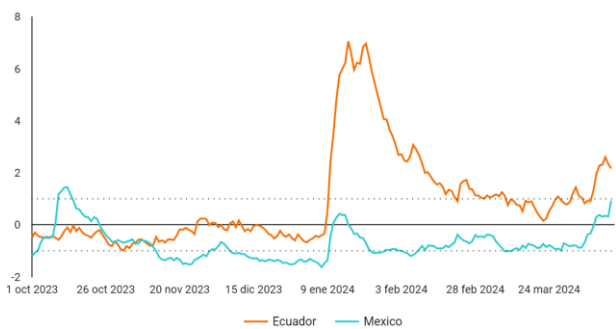
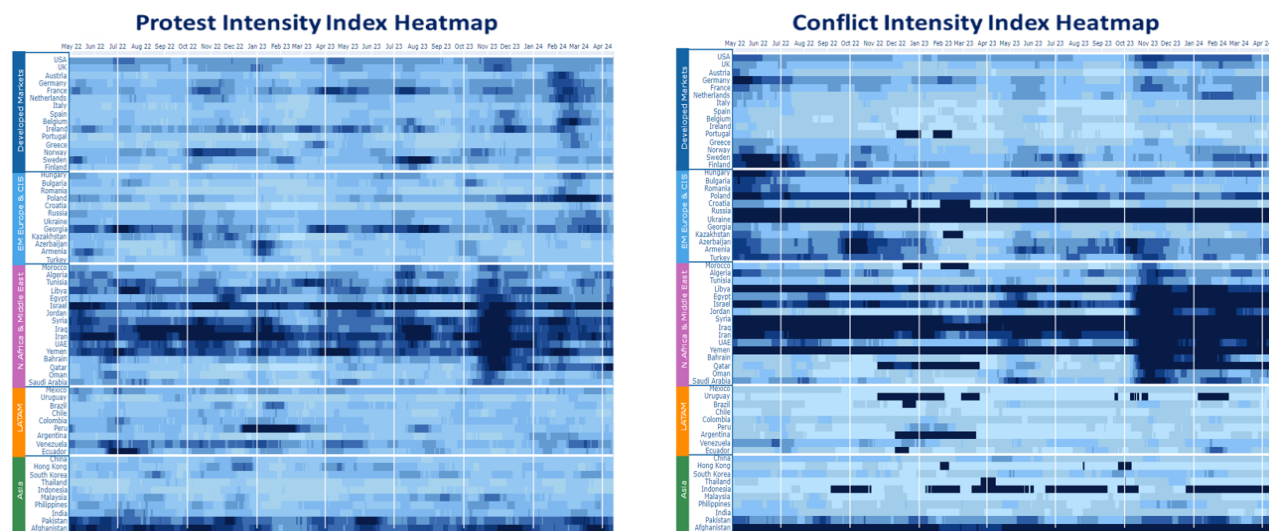


Fig6. BBVA RESEARCH PROTEST AND CONFLICT HEAT MAPS
(Evolution of Protest and Conflict over time by regions)



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 (GDELТ), created by Leetaru and Schrodт (2013). GDELТ 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 GDELТ 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.

DISCLAIMER

The present document does not constitute an "Investment Recommendation", as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("MAR"). In particular, this document does not constitute "Investment Research" nor "Marketing Material", for the purposes of article 36 of the Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID II).

Readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data or opinions regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA on its website www.bbvaresearch.com.

ENQUIRIES TO:

BBVA Research: Azul Street, 4. La Vela Building – 4th and 5th floor. 28050 Madrid (Spain).

Tel. +34 91 374 60 00 y +34 91 537 70 00 / Fax (+34) 91 374 25

www.bbvaresearch.com