

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
7 May 2024

Israel launched “limited” strikes on southern Rafah despite Hamas accepting the Egyptian-Qatari truce proposal. President Xi visits Europe

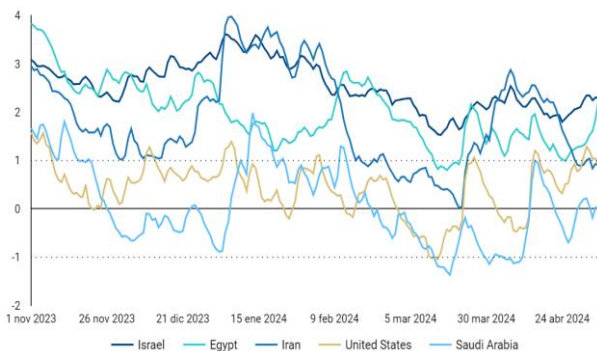
Israel launched limited operations on Rafah after Hamas accepted the truce: Hamas agreed to a ceasefire proposal brokered by Egypt and Qatar, but Israel has decided to start military actions, launching “targeted” airstrikes and ordering evacuations in Rafah. Nonetheless, Israel has dispatched mediators to explore a possible agreement, indicating that negotiations are still feasible. Meanwhile, the Israeli war cabinet has unanimously resolved to maintain operations in Rafah. The US President Biden has explicitly warned Israeli Prime Minister Netanyahu against initiating a full-scale attack on Rafah.

Xi visits EU: European leaders Emmanuel Macron and Ursula von der Leyen pressed Chinese President Xi Jinping during a meeting in Paris on the need for the EU to shield itself from cheap Chinese imports to ensure fair trade, while also urging China to reduce support for Russia in the Ukraine conflict. Macron acknowledged some progress in trade discussions. Concurrently, the EU is conducting investigations into Chinese market practices, especially in the electric vehicle sector. Despite tensions, several cooperation agreements were signed, enhancing collaboration between French and Chinese companies across various industries. Additionally, Xi promoted dialogue between Russia and Ukraine and called for a global truce during the upcoming Olympic Games in Paris.

The BBVA Monitor: Protest indicators increased in the US and Europe, as well as the conflict index and Geopolitical risk in the US and Middle East, that continues in the spotlight

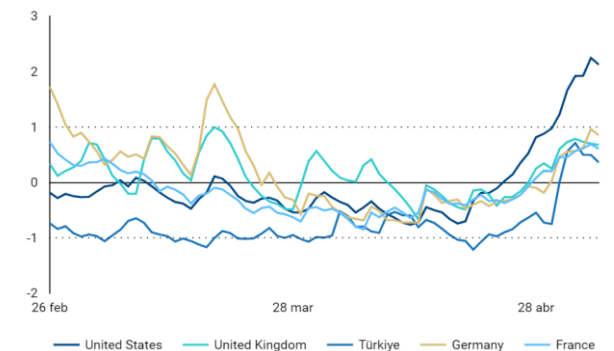
- **Massive university protests** against Israel's war in Gaza are happening **around the world, especially in the US**, increasing our protest and conflict indicators given that some of these demonstrations turned into violent protests in the US universities, spreading in more than two dozen states, with activists demanding that institutions cut financial ties with Israel and companies profiting from the war (Fig 2 and Fig 3).
- The **levels of Geopolitical risk and Conflict continued in the high risk area in the Middle East** (Fig 3). The economic policy indicators are in the neutral and safe area after last week's increases (Fig 3).
- **Political tensions** continued at high levels in **Spain** after Prime Minister reflection days last week (Fig 3).
- In the case of Latam, the **Geopolitical risk** indicators are contained (Fig 4).

Fig1. **GEOPOLITICAL RISK: US & MIDDLE 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

Fig2. **PROTEST INDEX: US & 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

*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)

Summary of Signals After Hamas-Israel Conflict (April 29th, 2024)
(News Sentiment Map. Sentiment relative to average sentiment in each country)

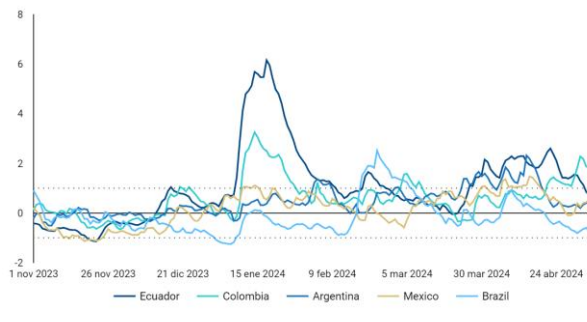


Summary of Signals After Hamas-Israel Conflict (May 6th, 2024)
(News Sentiment Map. Sentiment relative to average sentiment in each country)



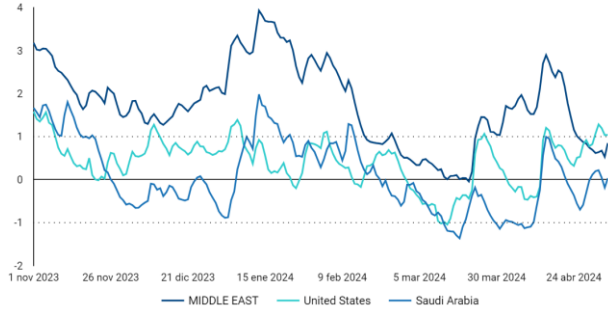
Source: BBVA Research and www.gdelt.org

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



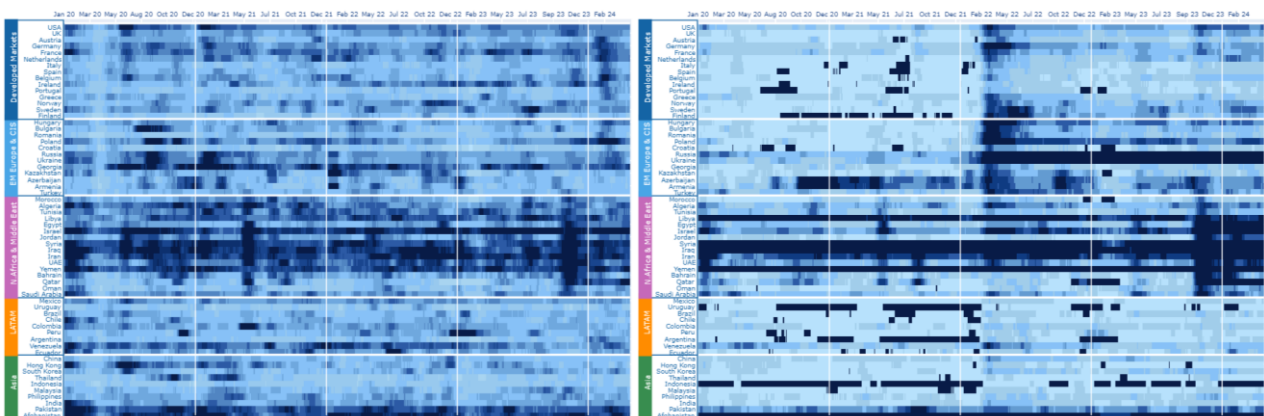
Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig5. GEOPOLITICAL RISK: ME, US & SAUDI ARABIA
(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

Fig6. 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 (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