BBVA Research

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

12 June 2024

Increasing pressure for Netanyahu to accept Biden's ceasefire plan. The far right won positions on European elections shaking the politics in some of the larger countries

Israel and Hamas still in Limbo on Biden's ceasefire plan: The Israeli Prime Minister continues to face increasing pressure to make a final decision on the ceasefire plan. The US Secretary of State met with Netanyahu to increase pressure for him to accept Biden's proposal. While Blinken told the press that Netanyahu would accept it, members of the far-right coalition in Israel have threatened to leave the government if Israel agrees to a deal to stop the war (WSJ).

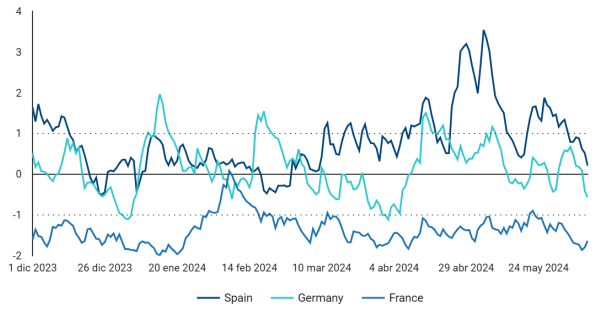
Elections in Europe: The rise of far-right parties has shaken the politics in some of the biggest countries in Europe. In a shocking move, French President Macron dissolved the Parliament after Marine Le Pen's victory with 31% of the votes. France's conservatives and far-right are now exploring uniting to defeat Macron in the presidential race. The shaky situation in France came after the far-right German party, Alternative for Germany, achieved a historic second place in the elections. The rise of conservatives in the rest of Europe will facilitate Ursula von der Leyen's position to win a second mandate, but it is not entirely guaranteed (Politico).

European Election in Spain: The Spanish conservative party won the European Elections with 34.2% of the votes, while the ruling party, the PSOE, maintained second place with 30.2% of the votes. The far-right party obtained 9.6% of the votes. The Vice President of the country and leader of the left-wing coalition SUMAR decided to resign from her position as party president after the poor results.

The BBVA Monitor: despite several election processes, political tensions indicators remained contained

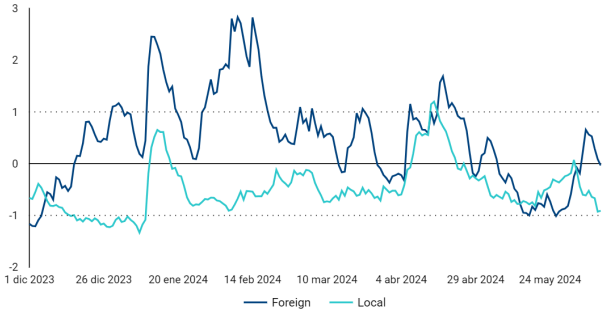
- Despite European elections, **political tensions** indicators remained contained for most of the European countries (Fig 1 and Fig 3). General elections in Mexico led to a moderate rise of the indicator (Fig 2).
- **Geopolitical risk and conflict intensity** indicators started to correct in **Russia and Ukraine** after last weeks' increases. In the case of the Middle East, **Israel and Egypt** continue in the spotlight. Protest indicator started to decrease too in **Israel**, entering in the neutral, after weeks of high tensions (Fig 3).
- **The political tensions index in Taiwan** continues high in the local media given separatism claims and the increasing tensions with China (Fig 3 and Fig 5). Tensions are in the neutral area in foreign media.

Fig1. **POLITICAL TENSIONS INDEX: SP, GM & FR**
(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. **POLITICAL TENSIONS INDEX: MEXICO**
(28-day weighted moving avg, normalized by its own history)

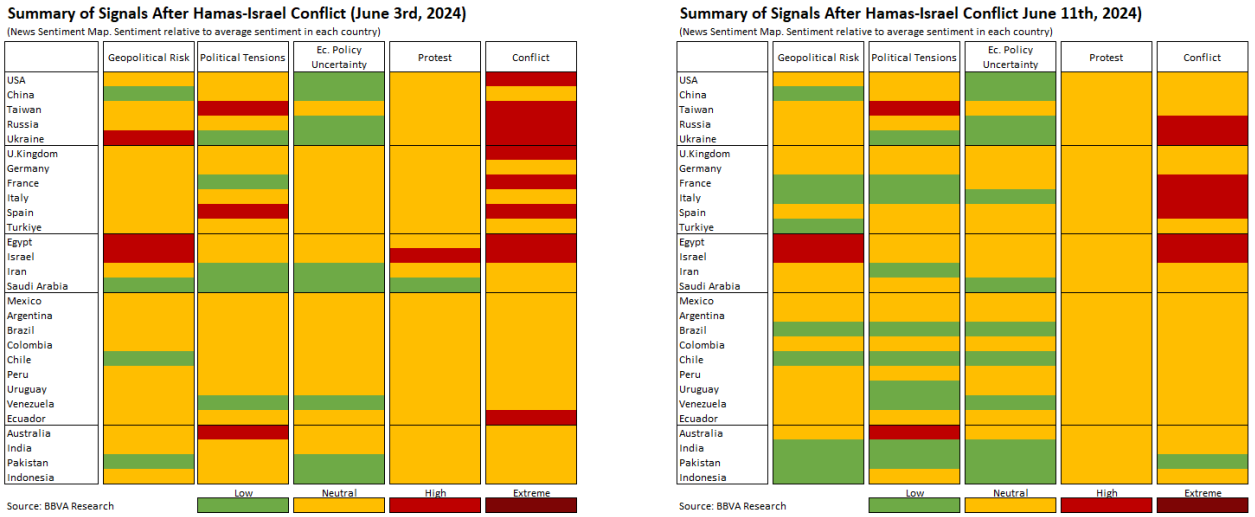


Source: BBVA Research & www.gdelt.org. **Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays)**

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

Fig3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

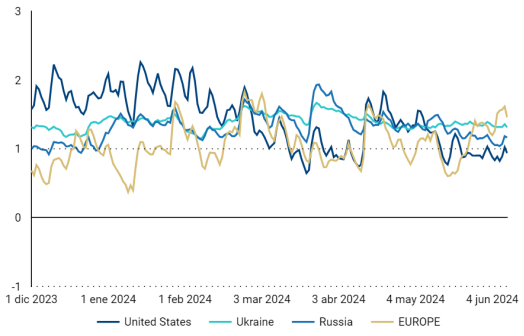
(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)



Source: BBVA Research and www.gdelt.org

Fig4. CONFLICT INTENSITY INDEX: EU & US

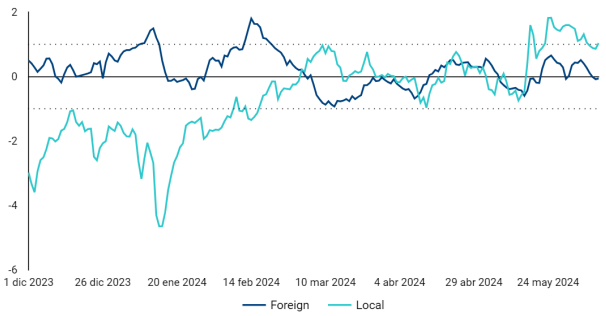
(28-day weighted moving avg, normalized by its own history)



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

Fig5. POLITICAL TENSIONS INDEX: TAIWAN

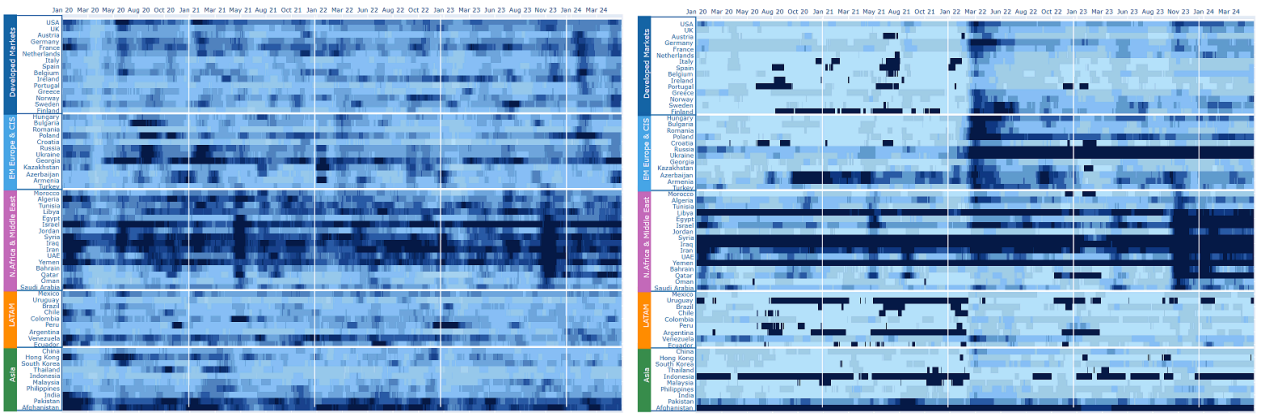
(28-day weighted moving avg, normalized by its own history)



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 (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 normalized 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 organizational 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 make an appropriate investment decision.

This document has been prepared by the 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 authorized 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