BBVA Research

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

Middle East War Escalates with New Strikes on Iran and Lebanon. Risk Spreads as Iran–Azerbaijan-Armenia Tensions Rise. Energy Market Shocked and Disrupted

Middle East War Escalates with New Strikes on Iran and Lebanon: Israeli and U.S. forces have launched intensified airstrikes on Tehran and Lebanese targets as the Middle East conflict enters its seventh day, marking a significant escalation following joint U.S.–Israeli operations that killed Iran's Supreme Leader, Ayatollah Ali Khamenei. Israeli strikes have targeted Iranian air defenses and missile bases, while U.S. forces reportedly struck an Iranian drone carrier at sea. Iran has responded with missile and drone attacks on U.S. forces across Gulf states, contributing to a mounting death toll and widening regional hostilities. The U.N. has called for de-escalation amid rising civilian casualties and mass displacement (Link).

Conflict Risk Spreads as Iran–Azerbaijan-Armenia Tensions Rise: Iranian drones struck Azerbaijan's Nakhchivan exclave on March 5, hitting the airport terminal and landing near a school, injuring four people. Azerbaijan condemned the action as aggression and has signaled readiness to respond, raising fears that the broader Iran war could spill into the Caucasus. Armenia and other neighbors also expressed concern about regional instability and potential economic and refugee impacts (Link).

Energy Market Shocked and Disrupted: The ongoing U.S.–Israel–Iran war has disrupted critical energy infrastructure in the Gulf, including attacks that have halted significant liquefied natural gas (LNG) production in Qatar and disruptions in the Strait of Hormuz. Oil Price hit today 85$ per barrel (link).

The BBVA Monitor: Middle East Conflict Triggers Sharp Rise in Global Geopolitical Risk

- The U.S.-Israel-Iran war has caused geopolitical risk indicators to skyrocket in the Middle East region, where they have sharply entered the extreme risk area. The geopolitical risk index has also risen to the extreme risk area in the U.S. and, to a lesser extent, to the high-risk level in Europe (see Fig. 1, Fig. 2, and Fig. 3).
- The war has generated a general worsening of geopolitical and political indicators and, to a smaller degree, economic indicators. The geopolitical risk index has rapidly propagated across countries, as reflected in Fig. 3, together with rising political tensions and economic policy uncertainty. Trade policy uncertainty remains relatively contained. Protest indicators also remain limited (see Fig. 3).
- Political tensions have risen to extreme levels in the U.S. and France. They have also increased sharply in other European countries, as well as in Turkey (see Fig. 4), while economic sentiment is deteriorating, especially in countries neighboring the Middle East (see Fig. 6).
- The worsening of the Economic Policy Uncertainty is widespread, especially in the Middle East (see Fig. 4).

FIG 1. CONFLICT AREA - GEOPOLITICAL RISK
(Total media. 28-day weighted mov 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 2. OCCIDENT - GEOPOLITICAL RISK
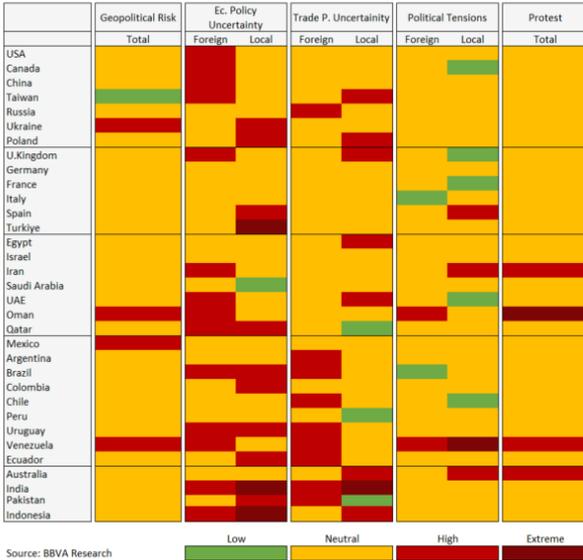(Total media. 28-day weighted mov avg, normalized by its own history)

Source: BBVA Research & www.gdelt.org. **Positive (negative) values indicate greater (lower) interest 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.

FIG 3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES
(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)
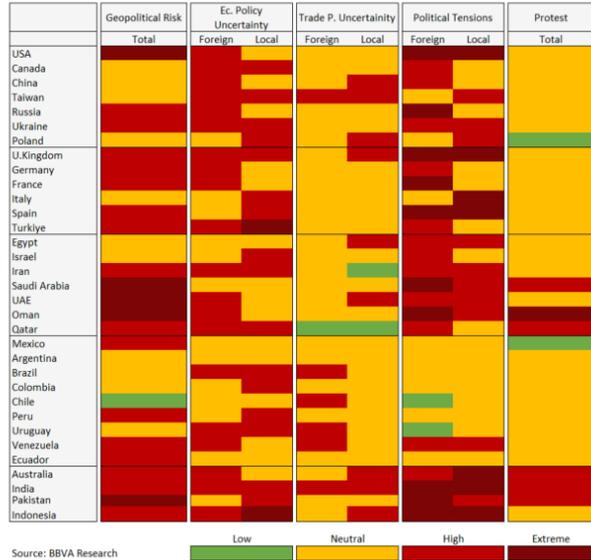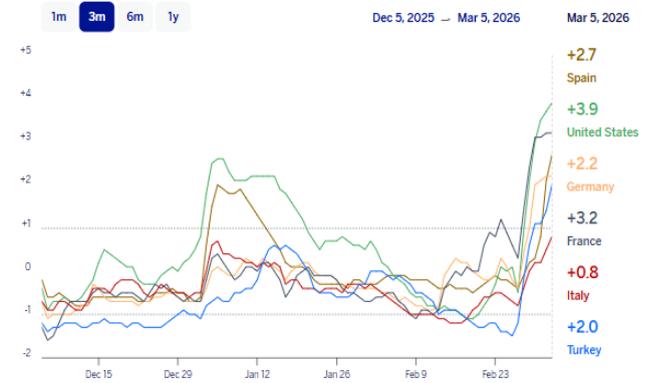

Source: BBVA Research and http://www.gdelt.org/

FIG 4. ECONOMIC POLICY UNCERTAINTY MAP
(Local media. 28-day weighted mov avg, normalized by its own history)
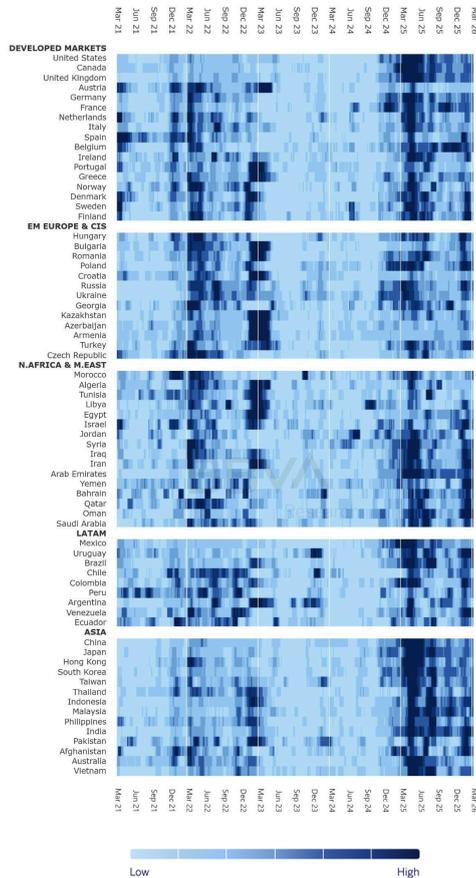
Source: BBVA Research & www.gdelt.org. **Darker Blue colors stands for higher economic policy uncertainty while lighter blue colors for low uncertainty**

FIG 5. POLITICAL TENSIONS INDEX
(Total media. 28-day weighted mov avg, normalized by its own history)

FIG 6. CONFLICT AREA: ECONOMIC SENTIMENT
(Total media. 28-day weighted mov avg, normalized by its own history)

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

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 that 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 their country's 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 the 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 has been happening in the last few days.

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