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BBVA Research

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

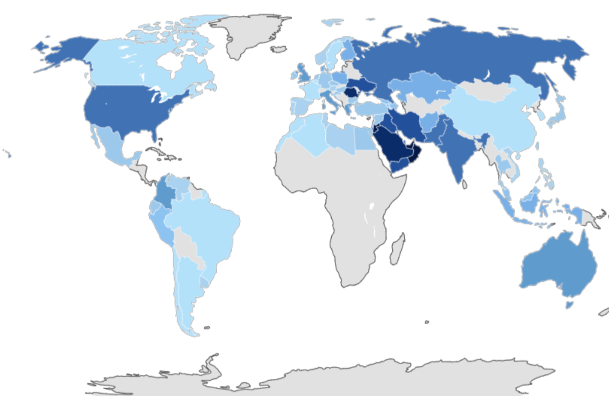
US–Iran conflict intensifies as both sides continue military strikes across the Gulf. Russia and Ukraine exchange major long-range attacks.

US–Iran conflict intensifies as both sides continue military strikes across the Gulf. The United States carried out another wave of strikes against Iranian military infrastructure, targeting missile, drone, and logistics facilities. Iran responded with additional attacks on US military positions in the Gulf, while both governments acknowledged that indirect diplomatic contacts remain active despite the continued fighting. Regional tensions widened after Yemen's Houthi movement announced measures aimed at disrupting Saudi maritime trade, increasing concerns over security in key shipping lanes and the broader risk of regional escalation.
Russia and Ukraine exchange major long-range attacks: Russia launched new strikes on Ukraine's Odessa region, causing civilian casualties and damaging infrastructure, while Ukraine conducted one of its largest drone operations against targets around Moscow and other Russian regions. Fighting also continued along the front line with both sides reporting attacks on military and logistics facilities.The renewed exchanges underscore the continued intensity of the conflict despite ongoing international support for Ukraine and diplomatic efforts that have yet to produce a breakthrough.

The BBVA Monitor: renewed geopolitical risks in the Middle East and Ukraine

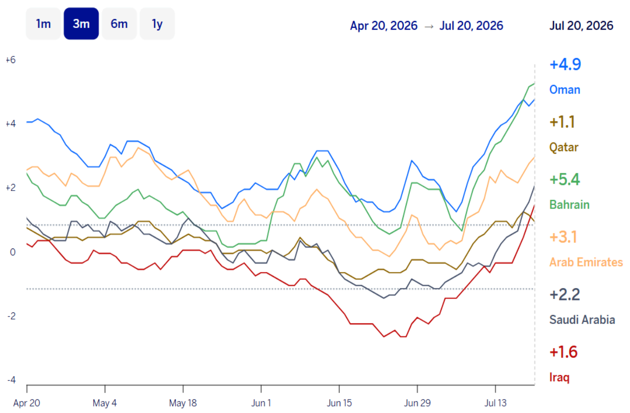
- The **global geopolitical risk indicator map** shows in Figure 1 a deterioration in geopolitical risk across the **Middle East** and **Ukraine**, reflecting the recent escalation of tensions and military strikes in both hotspots. In the Middle East, geopolitical risk indicators continue to rise rapidly, reaching extreme levels in the United Arab Emirates and Oman (see Fig. 2). In contrast, the increase in geopolitical risk indicators for Ukraine and Russia has been more moderate, although both have now entered the high-risk zone, warranting close monitoring (see Fig.5 and Fig. 6).
- Meanwhile, **Economic Policy Uncertainty indices** continue to decline across the **Middle East,** gradually moving back toward neutral levels (see Fig. 3 and Fig. 5).
- **Economic sentiment indicators** remain broadly stable across most countries this week, with no significant changes observed (see Fig.4).

FIG 1. GLOBAL MAP - GEOPOLITICAL RISK
(Total media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. **Dark (light) color indicates higher (lower) risk relative to the mean of period 2021-nowadays**

FIG 2. MIDDLE EAST - GEOPOLITICAL RISK
(Total media. 28-day weighted mov avg, normalized by its own history)



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

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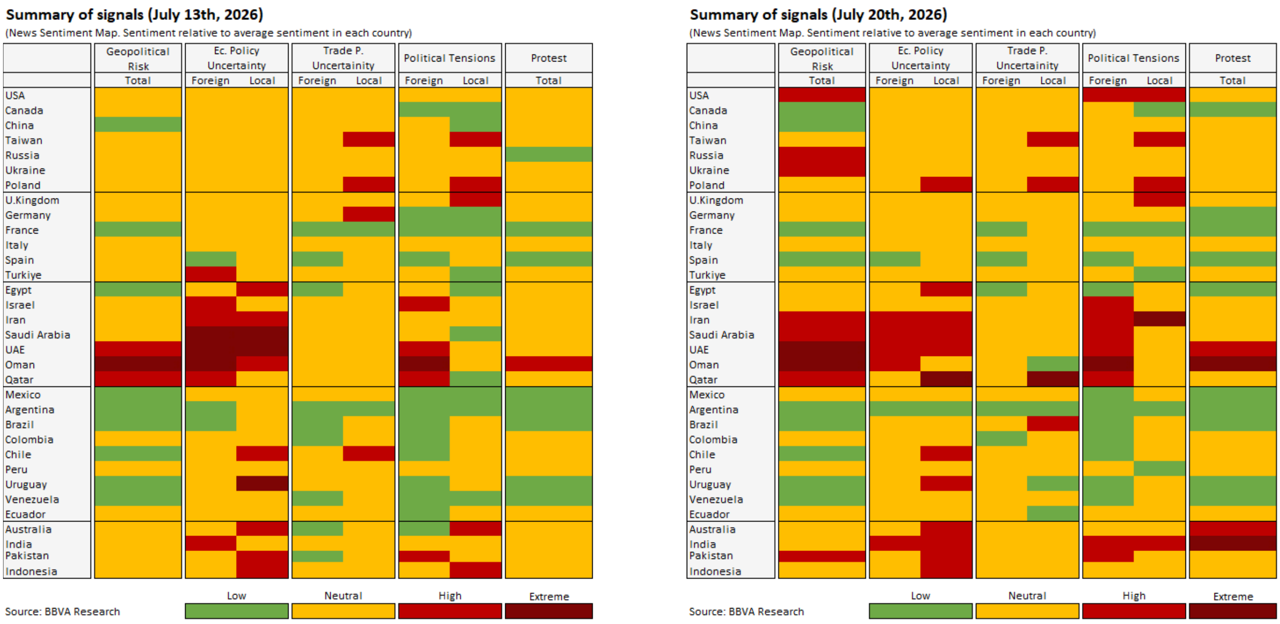
FIG 3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

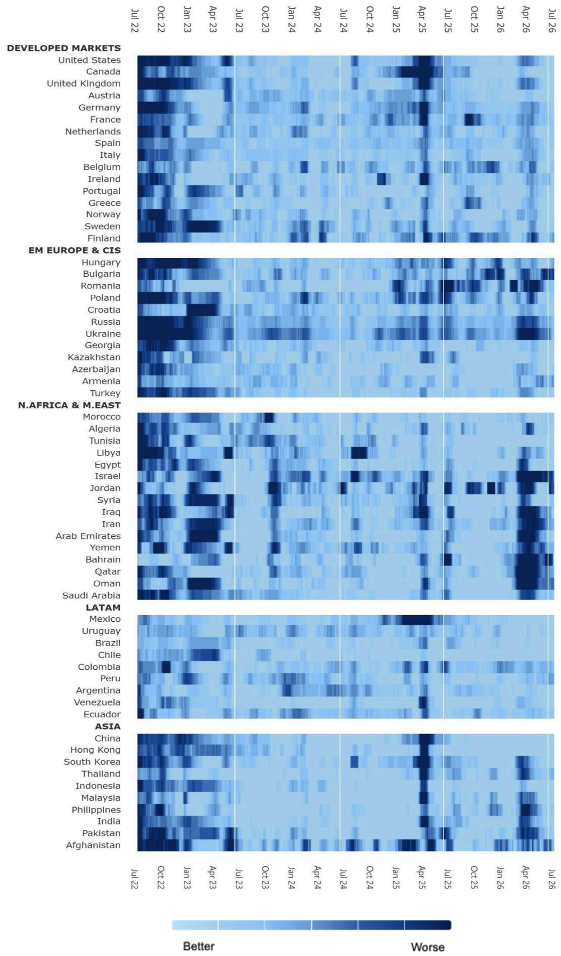
(Signals in Geopolitical Risk, Economic Policy Uncertainty, Trade Policy Uncertainty, Political Tensions and Protest according to Standard Dev)



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

FIG 4. ECONOMIC SENTIMENT MAP

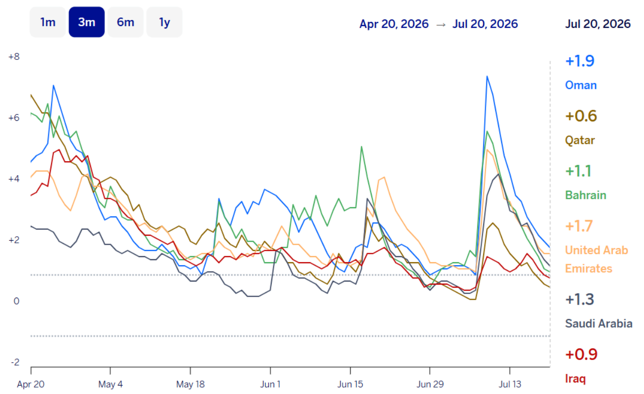
(Local media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. **Darker Blue colors stands for higher economic policy uncertainty while lighter blue colors for low uncertainty**

FIG 5. MIDDLE EAST - EPU

(Total media. 28-day weighted mov avg, normalized by its own history)



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

FIG 6. EUROPE - GEOPOLITICAL RISK

(Total media. 28-day weighted mov avg, normalized by its own history)

Source: BBVA Research & www.gdelt.org. **Positive (negative) values indicates better (lower) sentiment 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.

DISCLAIMER