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BBVA Research

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

Unresolved US-Iran Diplomacy Over Hormuz, Ukraine's Air-Defence Shortfall and Proposed US Tariffs on Russian Energy Buyers Sustain Pressure on Global Energy Markets

US-Iran Diplomacy Remains Subordinate to the Hormuz Escalation: Washington said contacts toward a deal were under way after President Trump suspended planned strikes, citing parameters for reopening the Strait of Hormuz and addressing Iran's nuclear programme. Iran's Foreign Ministry denied that negotiations were taking place or scheduled. The gap between the two positions coincided with a cargo vessel reporting a strike by an unidentified projectile near the strait and sharply reduced transit volumes. The operational pause is therefore conditional rather than a durable de-escalation, leaving oil flows, insurance costs and Gulf security dependent on an agreement neither side has publicly confirmed.

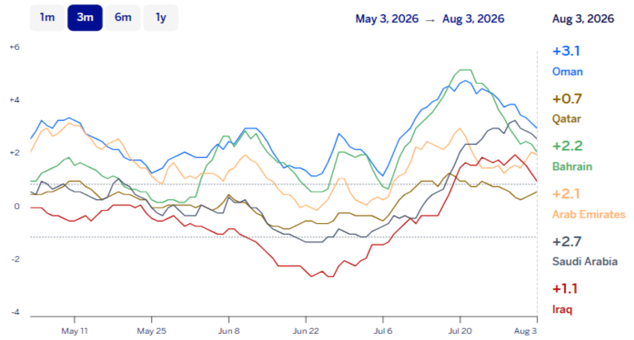
Ukraine's Air-Defence Constraint Deepens as Both Sides Extend the War's Reach: Russia intensified attacks on Ukrainian cities, including ballistic-missile and drone attacks on Kyiv and the surrounding region on 1 August, killing 10 people, and an air strike on Zaporizhzhia on 3 August that killed one person and wounded dozens. Kyiv said a preceding large ballistic-missile assault had exposed shortages of Patriot interceptors, a vulnerability aggravated by the diversion of US air-defence resources to the Middle East. Ukraine simultaneously expanded long-range drone operations against Russian fuel, logistics and military sites. The exchange confirms that strategic-depth strikes and air-defence attrition remain central to the conflict.

US Senate Advances Secondary Pressure on Russia: The US Senate voted to advance the Sanctioning Russia Act, which would expand economic pressure on Moscow and allow tariffs of up to 100% on major importers of Russian energy. The bill still requires House approval and presidential action, but it raises future trade risks for third countries importing Russian hydrocarbons and could widen the economic impact of the Ukraine war.

The BBVA Monitor: geopolitical risk and uncertainty indices still in the high risk area in the Middle East

- Despite unresolved US-Iran negotiations over the Strait of Hormuz, **geopolitical risk indicators** for **Middle Eastern countries** continued to decline during the week, although they remained in the high risk area (see Figures 1 and 3). Regarding the war in Ukraine, geopolitical risk indices increased in **Russia and Ukraine**, with a sharper rise in **Poland**, all three remained in the high-risk range (see Figures 2 and 3).
- Similarly, **economic policy uncertainty indicators** declined across the **Middle East,** but the region remained the main global hotspot on the economic policy uncertainty global map (see Figures 3, 5 and 6).

FIG 1. 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)**

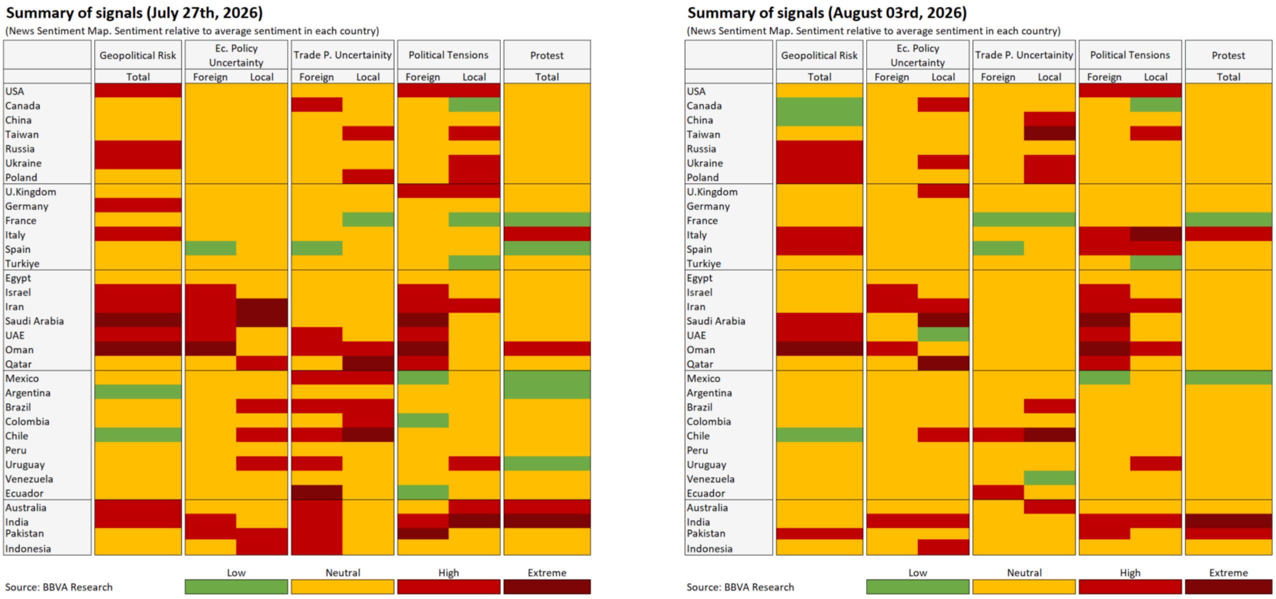
FIG 2. EUROPE - GEOPOLITICAL RISK
(Total media. 28-day weighted mov avg, normalized by its own history)

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

FIG 3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

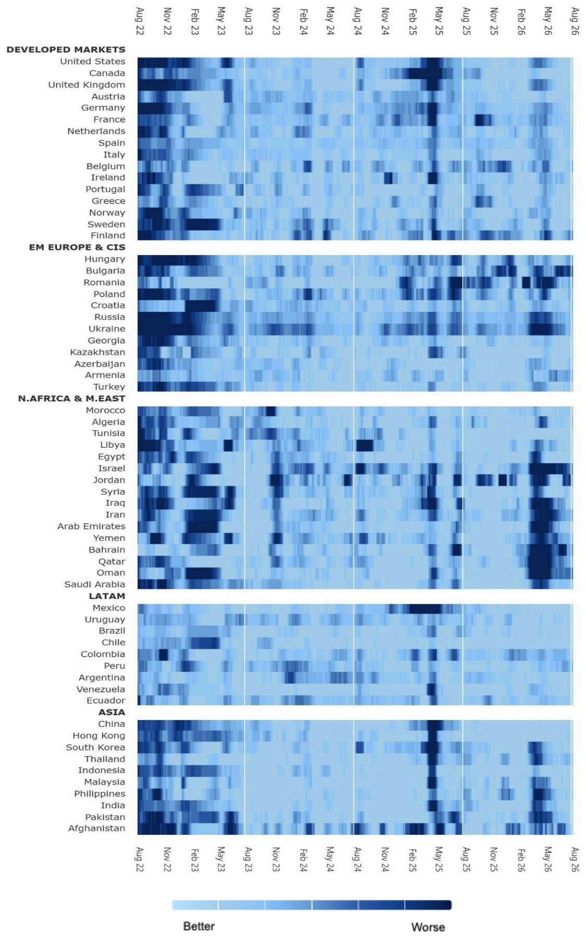
(Signals in Geopolitical Risk, Economic Policy Uncertainty, Trade Policy Uncertainty, Political Tensions and Protest according to Standard Dev)



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

FIG 4. ECONOMIC SENTIMENT MAP

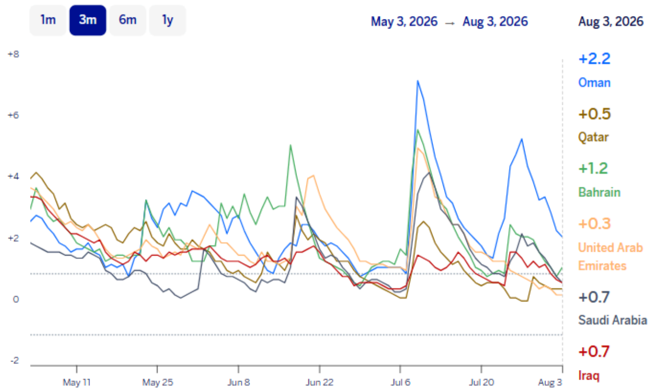
(Local media. 28-day weighted mov avg, normalized by its own history)



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

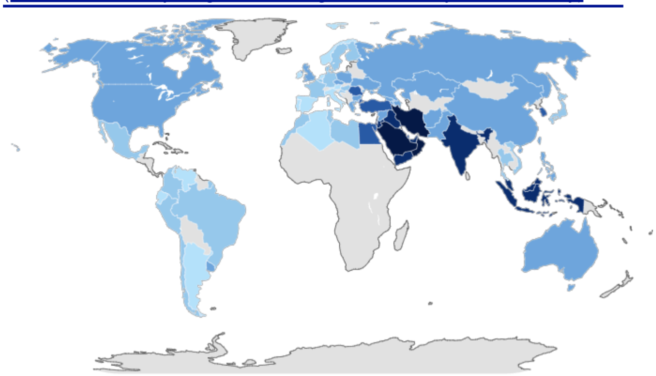
(Total media. 28-day weighted mov avg, normalized by its own history)



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

FIG 6. GLOBAL MAP - EPU

(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**

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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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