BBVA Research

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Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

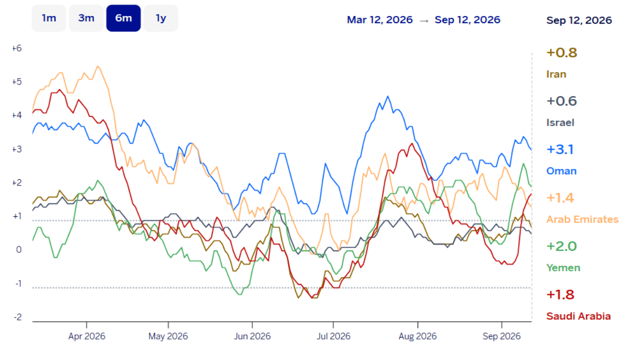
Houthis seize strategic Red Sea islands as Yemen fighting intensifies.Ukraine offers reciprocal halt to strikes on infrastructure. NATO warns of Russian escalation close to Polish territory

Houthis seize strategic Red Sea islands as Yemen fighting intensifies: Yemen's Iran-backed Houthis seized Greater and Lesser Hanish islands in the southern Red Sea, strengthening their position around the Bab el-Mandeb Strait. The advance comes amid renewed fighting with Saudi-backed government forces that has raised concerns over a broader return to Yemen's civil war. More than 500 people were killed during a weeklong period ending Saturday, according to the World Health Organization, while nearly 94,000 people have been displaced. The developments increase security risks around one of the world's most strategically important maritime corridors.
Ukraine offers reciprocal halt to strikes on critical infrastructure: Ukrainian President Volodymyr Zelenskyy said Kyiv is prepared to stop strikes on Russian territory if allies secure a genuine Russian commitment to halt attacks against Ukraine's critical infrastructure. The statement followed President Donald Trump's claim that Russia and Ukraine had agreed not to target each other's energy infrastructure, although Moscow had not confirmed such an agreement.The proposal comes as NATO Secretary-General Mark Rutte condemned recent Russian drone attacks near the Polish border and pledged stronger support for Ukraine and NATO's eastern defenses. Poland has also increased security along its frontier amid concerns about further Russian escalation.
NATO warns of Russian escalation close to Polish territory: NATO Secretary-General Mark Rutte said Russian drone strikes near Ukraine's border with Poland demonstrate increasing Russian recklessness and pledged additional support for Kyiv. Poland has strengthened border security after drones landed within kilometers of Polish territory and authorities recovered what they believe was a Russian military drone from the Baltic Sea.The Kremlin said Russian military operations would continue across Ukraine. Kyiv, meanwhile, is seeking allied support for a reciprocal agreement under which Ukraine and Russia would stop attacking each other's critical infrastructure.

The BBVA Monitor: Yemen escalation drives geopolitical risk indicator higher

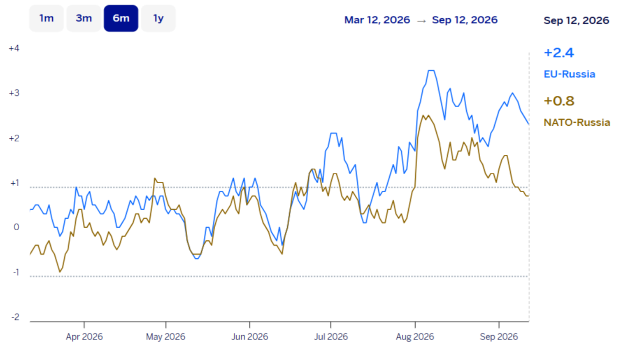
- The **geopolitical risk indicator** increased sharply this week in **Saudi Arabia and Yemen**, amid renewed fighting in Yemen involving Saudi-backed forces, raising the risk of a broader escalation of the conflict. By contrast, **geopolitical risk indicators** are correcting across the rest of the Middle East. **Economic Policy Uncertainty indicators** remain in the high-risk area for most countries in the region, although broadly contained (see Fig. 1, Fig. 3 and Fig. 4).
- **Bilateral tension index** between the **EU&Russia** eased this week, but remain in the high-risk area (Fig. 2).

FIG 1. MIDDLE EAST - GEORISK
(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 - BILATERAL TENSIONS
(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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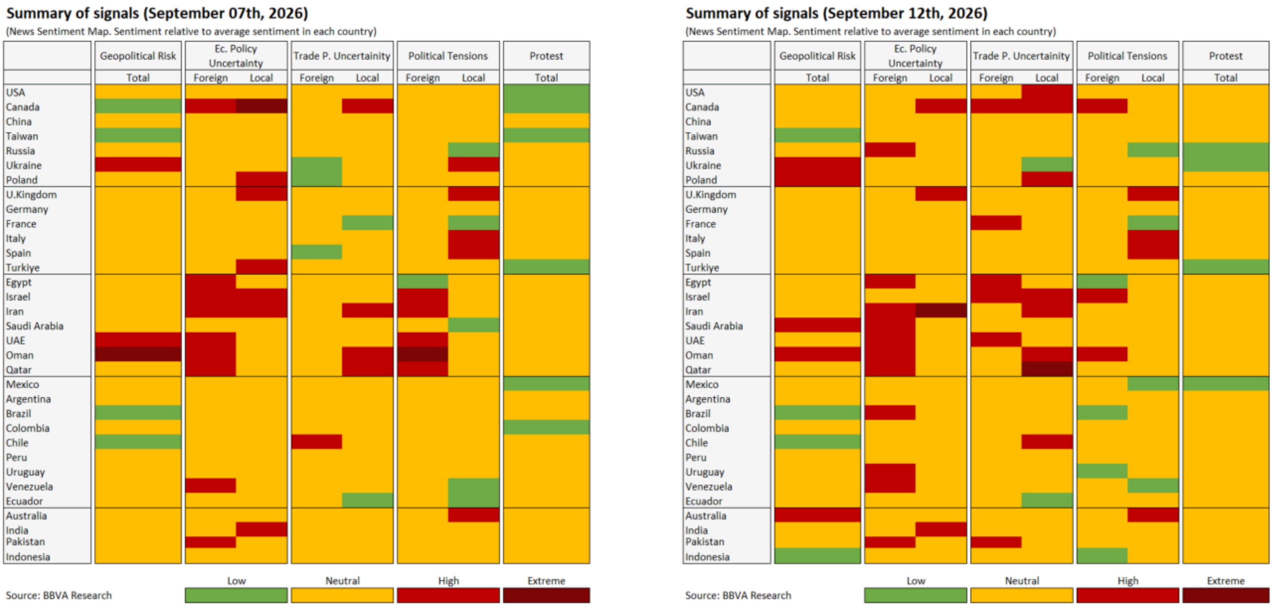
FIG 3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

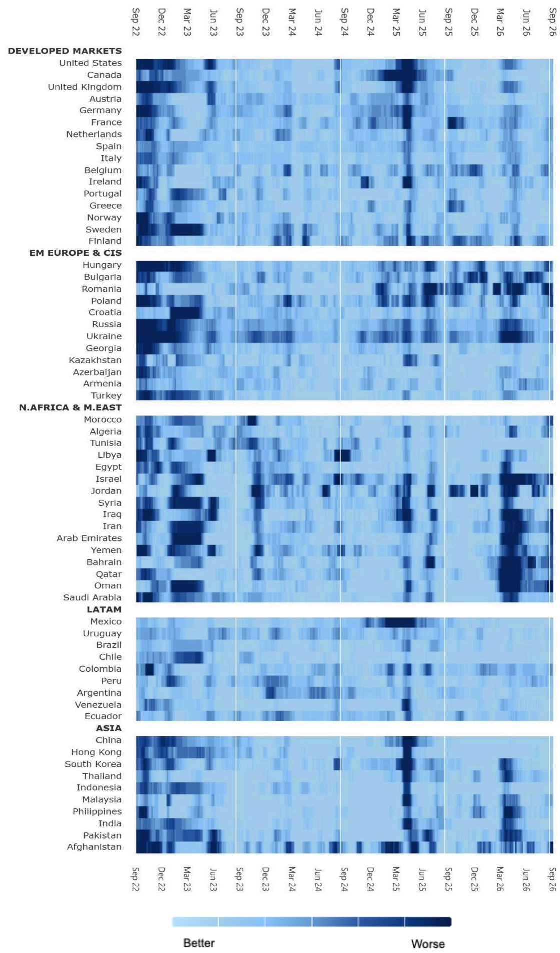
(Signals in Geopolitical Risk, Economic Policy Uncertainty, Trade Policy Uncertainty, Political Tensions and Protest according to Standard Dev)



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

FIG 4. ECONOMIC SENTIMENT MAP

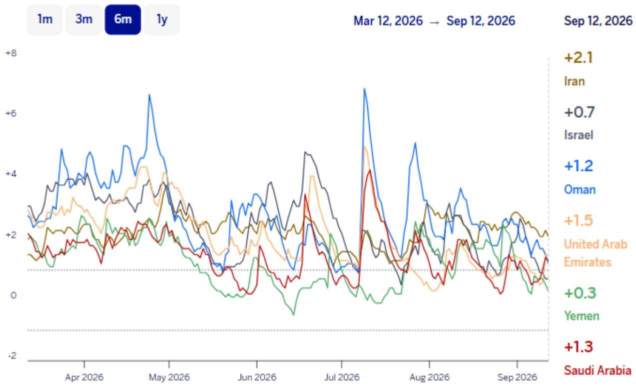
(Local media. 28-day weighted mov avg, normalized by its own history)



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

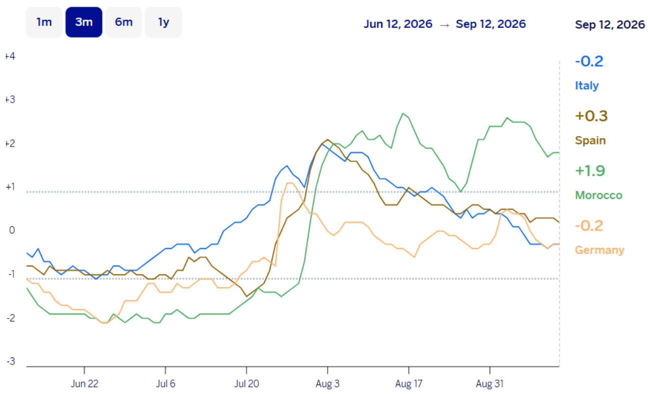
(Total media. 28-day weighted mov avg, normalized by its own history)



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

FIG 6. SP & MA - 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)**

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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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