

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
10 July 2024

The Labour Party returns to power in the UK, while the Leftist coalition (Nouveau Front Populaire) surprises in the second round, undermining Marine Le Pen’s chances. Biden Still in the race after a disastrous debate

The Elections in the UK and France showed mixed Results :

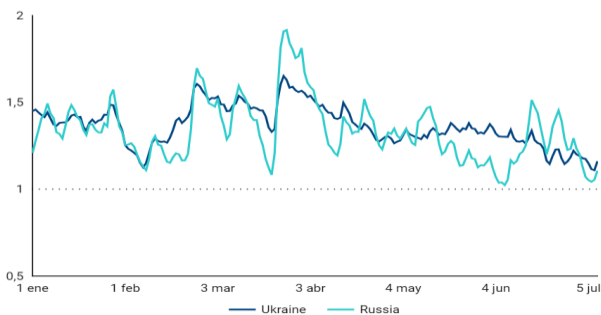
- **In the United Kingdom:** The Labour Party, led by Keir Starmer, scored a significant victory, securing 412 seats, allowing them to form a majority government. The Conservative Party (121) suffered significant losses, including prominent figures such as former Prime Minister Liz Truss.
- **France** is heading for a hung parliament and negotiations to form a government after an unexpected left-wing victory thwarted Marine Le Pen’s efforts to bring the far right to power. The leftist Nouveau Front Populaire bloc won the most seats in the snap election, undermining Le Pen’s Rassemblement National party initial expectations (FT).

Biden continues in the Presidential Campaign USA: Doubts regarding President Biden's age following the debate have continued to affect his standing in the presidential election polls. The gap between former President Trump and President Biden is gradually widening, with Trump now leading by just over 2 percentage points (Trump at 42% versus Biden at 39.8%). Despite a weaker debate performance and some supporters suggesting that Biden should retire, the President has expressed his desire to remain in the race.

The BBVA Monitor:

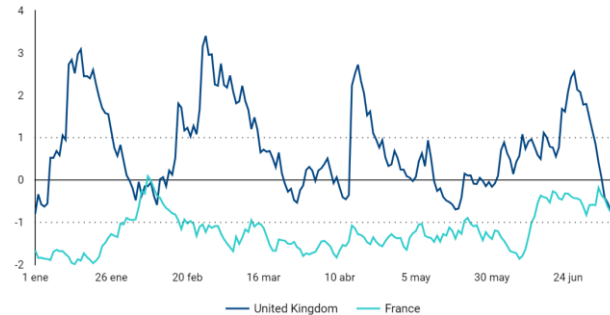
- **Geopolitical risk** indicators worsened this week in **Russia and Ukraine** as the attacks intensified after Russia launched a wave of missile strikes against different cities hitting a children’s hospital in Kyiv and killing 36 people (BBC). As a response Ukrainian launched drone attacks against five Russian regions, including oil refinery and power grid stations (Fig 1 and Fig 3).
- **Political tensions** indicators eased significantly in the **United Kingdom and France** (especially in local media) after the election results (Fig 2 and Fig 3). On the contrary, the indicator raised in **Taiwan** in the local media, going to the high risk area given the increasing tensions with China (Fig 3 and Fig 4).
- **Protest indicators in Israel** went again to the high risk area after massive protests demanding new elections on the tenth anniversary of the war (Fig 3 and Fig 5).
- **Latin American** countries as well as **developed economies** keep calm during the week (Fig 3).

Fig1. **CONFLICT INTENSITY INDEX: UP & RS**
(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: UK & FRANCE**
(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

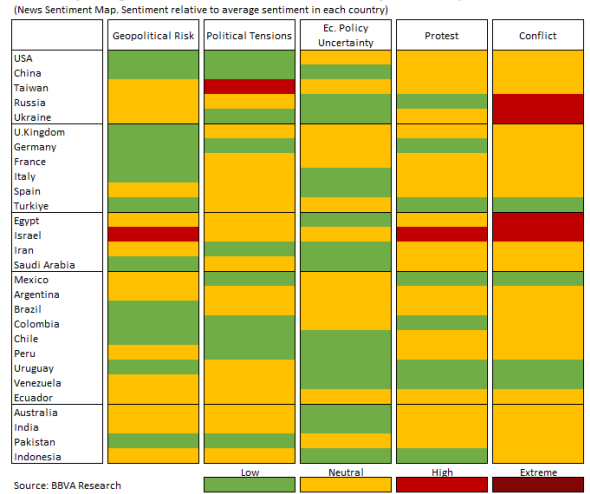
*The selection of news has been enriched by the BBVA Research Geo Assistant developed with Chat-GPT.

Fig3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES
(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)

Summary of Signals After Hamas-Israel Conflict (July 2nd, 2024)

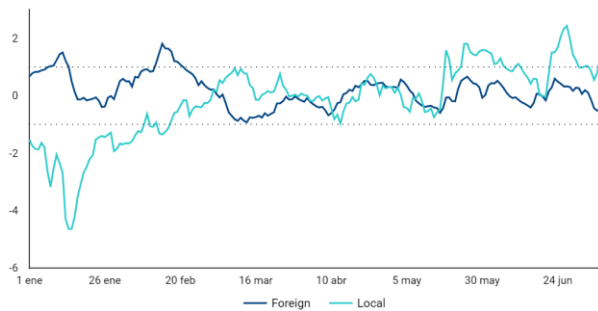


Summary of Signals After Hamas-Israel Conflict July 9th, 2024)



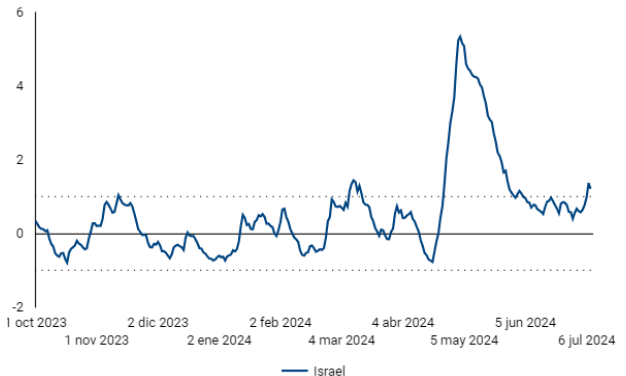
Source: BBVA Research and www.qdelt.org

Fig4. POLITICAL TENSIONS INDEX: TAIWAN
(28-day weighted moving avg, normalized by its own history)



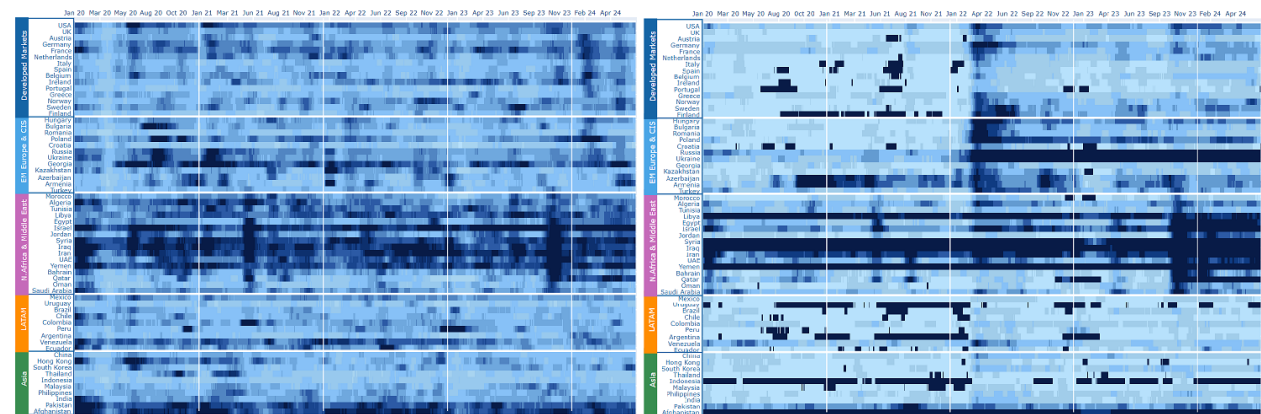
Source: BBVA Research & www.qdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig5. PROTEST INTENSITY INDEX: ISRAEL
(28-day weighted moving avg, normalized by its own history)



Source: BBVA Research & www.qdelt.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.qdelt.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 (GDELТ), created by Leetaru and Schrodт (2013). GDELТ 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 GDELТ 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