

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
23 October 2024

The US Secretary of State urges Netanyahu to end the war in Gaza. Taiwan TSMC informed US of potential Huawei bypass of export controls

US Secretary of State pressures Netanyahu to end the war in Gaza: US Secretary of State Antony Blinken met with Israeli Prime Minister Benjamin Netanyahu to urge capitalizing on the killing of Hamas leader Yahya Sinwar by securing the release of hostages from the October 7 attack and ending the war in Gaza. Despite previous unsuccessful attempts to broker a ceasefire between Israel and Hamas, Blinken is intensifying diplomatic efforts in the Middle East ahead of the upcoming US presidential election, which could alter US policy in the region. Israel remains firm in its goal to continue military operations until Hamas is completely dismantled, and Hamas refuses to release hostages without an Israeli commitment to end the war and withdraw from Gaza ([Reuters](#)).

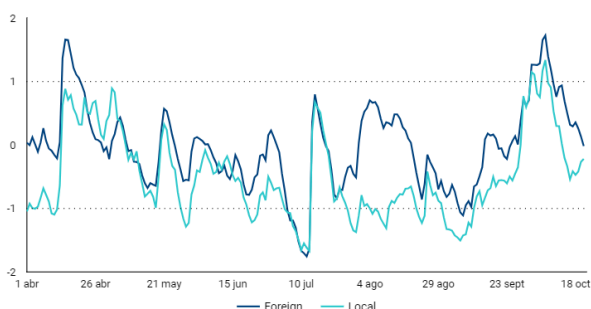
Taiwan TSMC informed the US of potential Huawei bypass of export controls : Taiwan Semiconductor Manufacturing Company (TSMC) informed the US Commerce Department that Huawei might be attempting to bypass U.S. export controls that prohibit TSMC from producing AI chips for the Chinese company. TSMC emphasized that it has not supplied Huawei since mid-September 2020 and is not aware of being under any investigation ([Reuters](#)).

US Presidential Elections Update: Kamala Harris continues leading in the polls but with a shrinking margin 48.1% to 46.5%, moreover the uncertainty in potential swing states remains very high ([ABC](#)).

The BBVA Monitor: contained political tensions in US and conflict indicators still high, waiting for a resolution of the conflict

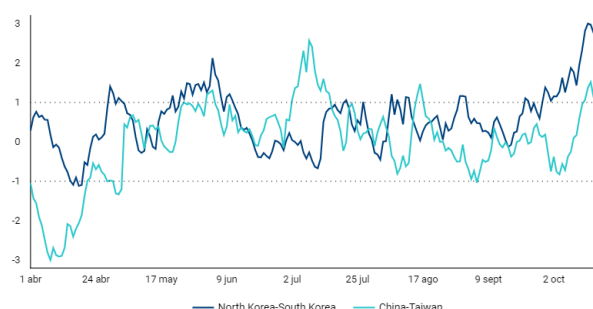
- **The geopolitical risk and conflict indicators** kept in the high risk area in **Israel and Iran**, with still high uncertainties about the resolution of the conflict. In the case of **Ukraine and Russia**, conflict indicators maintained high, but geopolitical risk indices eased (Fig. 3).
- **Political tensions** remained contained in the **US**, despite the narrowing margin for the Presidency (Fig. 1 and Fig. 3). In the case of **Venezuela**, political tensions index reduced, approaching to the neutral area since mid July before the Presidential elections (Fig. 3 and Fig. 4).
- **Bilateral tensions** indicators between **China and Taiwan**, as well as **North and South Korea** continued high, but easing given the last week's increasing tensions (Fig 2 and Fig. 3).

Fig1. **POLITICAL TENSION INDEX: US**
(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

Fig2. **BILATERAL TENSIONS: CHINA-TAIWAN & KOREA**
(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

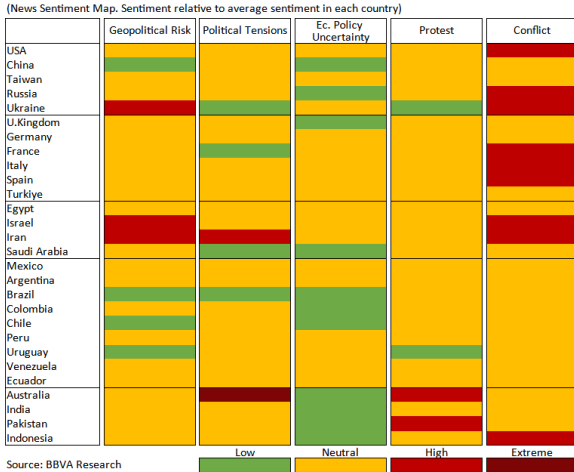
*The selection of news has been enriched by the BBVA Research Geo Assistant developed with Chat-GPT.

Fig3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

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

BBVA Research Geopolitics Monitor main "Signal" changes after the Hamas-Israel Conflict

Summary of Signals After Hamas-Israel Conflict (October 15th, 2024)



Source: BBVA Research

Summary of Signals After Hamas-Israel Conflict (October 22nd, 2024)

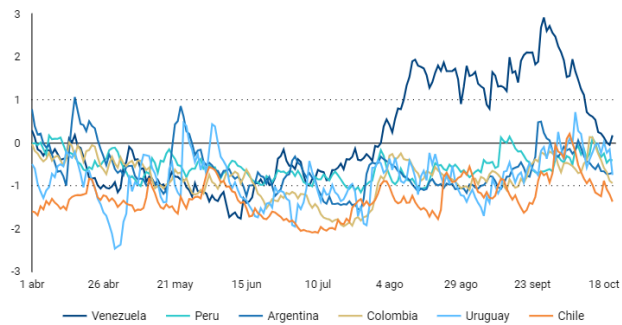


Source: BBVA Research

Source: BBVA Research and www.qdelt.org.

Fig4. POLITICAL TENSIONS INDEX: LATIN AMERICA

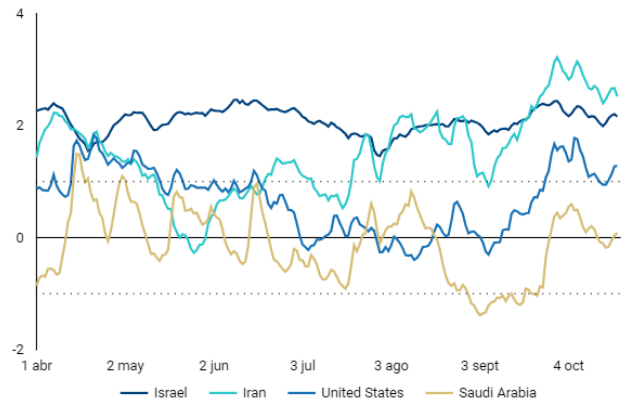
(28-day weighted moving avg, normalized by its own history)



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

Fig5. CONFLICT INDEX: ISRAEL, IRAN, US, SA

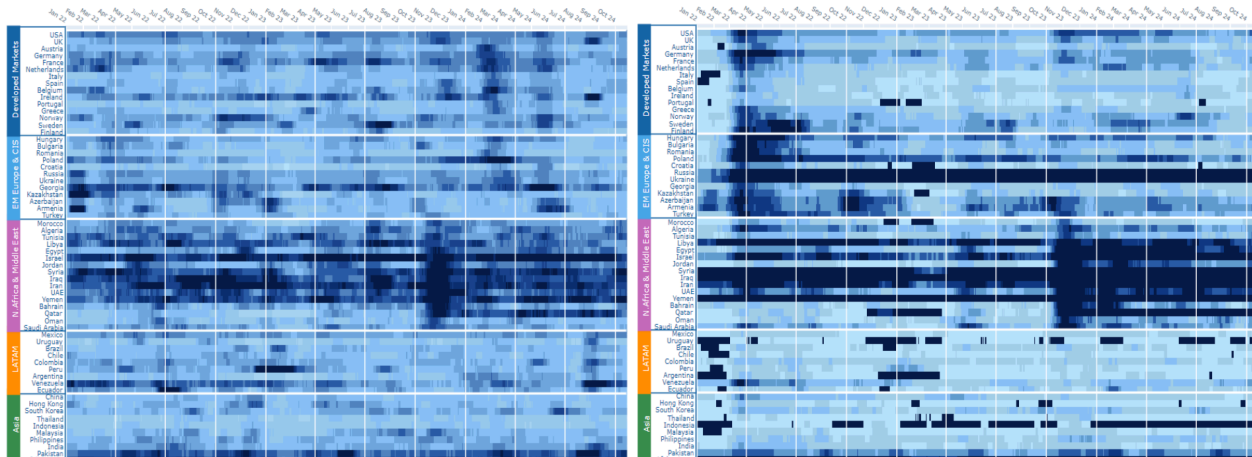
(28-day weighted moving avg, normalized by its own history)



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 (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

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.bbvarresearch.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.bbvarresearch.com