Buy-Side **Perspective**

10 April 2025

iridium Investor Relations

Tariff shocks rewire markets. IR teams across the GCC have no time to pause

On the heels of sweeping tariff announcements that triggered a sharp global sell-off, President Trump has announced a 125% tariff on Chinese goods and a 90-day pause for non-retaliating countries. During this period, reciprocal tariffs will remain in place at a reduced rate of 10%, while more than 75 countries reportedly begin negotiations with the U.S. on trade, currency, and non-tariff barriers.

Whether this becomes a temporary reprieve or the first step toward resolution remains to be seen. What is evident, however, is that markets have already begun to reprice risk, and listed companies cannot afford to wait and see what's next.

What investors are really pricing in now

The buy-side is not modelling tariff tables. They are modelling risk. The view is that the world is entering a new regime of volatility - one in which inflation rises, the cost of capital increases, global demand softens, and policy responses remain uncertain. The market-implied probability of a US recession is at 40% by year-end. Four Fed rate cuts are now priced in.

Even before the tariff shock, investor behavior was shifting. There was evidence of deterioration in US consumer sentiment, rising delinquency rates, and softening real spending. Investors were already beginning to rotate out of higher-multiple equities. The new tariffs have accelerated that shift out of the US, into Europe and selected EM names with fiscal headroom or stimulus potential.

What does this mean for GCC equities? It means companies that do not address US and perhaps global macro risk explicitly, and early, may find themselves repriced as laggards, even if their current fundamentals remain intact.

Why this time is different

In Trump's first term, tariffs were treated as a starting point. Investors assumed that they were a tool for negotiation. That assumption anchored expectations and limited volatility. This time, the policy arrived first and the narrative came later. Markets interpreted the tariff announcement as structural, at least initially. Volatility spiked with the VIX, Wall Street's implied risk gauge, jumping from USD12 to USD57; levels last seen only during Covid and the Global Financial Crisis. Global equity indices sold off sharply, with the MSCI World Index falling 11% from "Liberation Day" to 8 April 2025.

Even with the tariff pause now in place, the buy-side lens has changed. The central question is no longer the trajectory of tariff policy; it is the uncertainty surrounding the complexity of redesigning global supply chains.

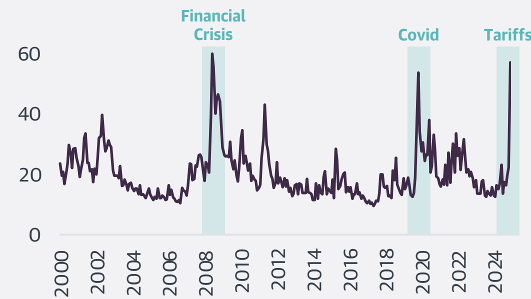
Meanwhile, OPEC's announcement of a +2.2 million barrel production hike adds another layer of uncertainty. Instead of stabilizing prices during a downturn, the increase appears to reflect internal politics, further contributing to market confusion. Oil has fallen 4%, with forward curves flattening. In this environment, the buy-side is reassessing asset classes, not just companies.

Indirect risks are being priced in whether companies see them or not

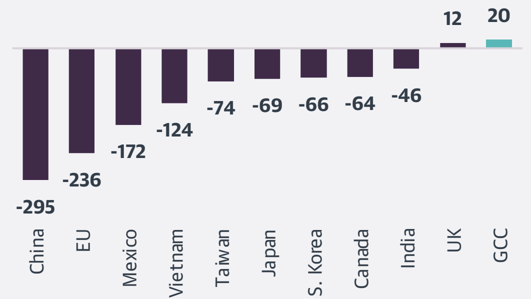
For GCC companies, the real risks are not in the tariff lines. They are in the indirect effects now being priced into global portfolios:

- **Lower oil prices:** Softer global demand and production increases from OPEC+ are pressuring crude benchmarks. For oil-exporting governments, this raises questions about the pace of public spending and project approvals.

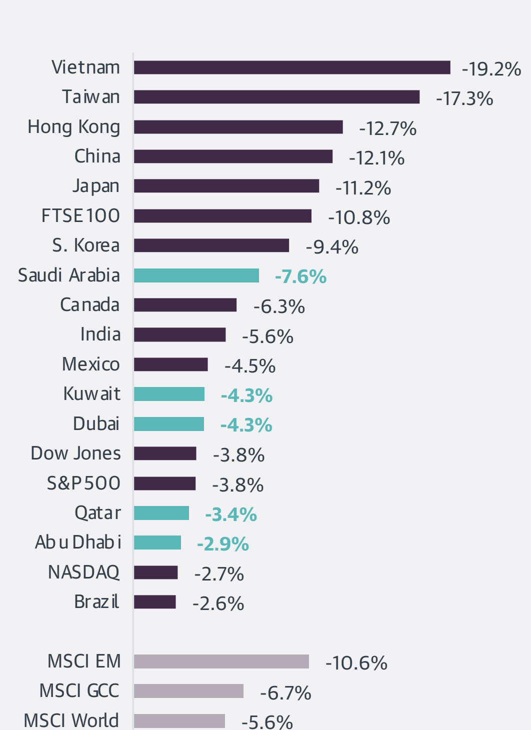
CBOE Volatility Index (VIX), USD



US Trade Balance, USD bn



Market Performance since 2 April 2025, %



Sources: S&P Capital IQ Pro, Iridium Advisors Analysis

- **Rising cost of debt:** With most GCC currencies pegged to the US dollar, higher yields translate into tighter regional funding conditions, particularly for leveraged companies with refinancing needs.
- **Shifts in import costs:** A weaker dollar may not move GCC currencies directly, but it does affect trade with non-USD partners and could lead to costlier imports from Europe or Asia.
- **Investor disengagement:** Long-only investors are not reallocating - they are on the sidelines. Hedge funds have already de-risked. Passive flows are slowing. The result is lower liquidity and wider bid-ask spreads, especially in emerging markets which comprises many export-orientated countries that are now being tariffed.

In a risk-off environment, investors will discount what they cannot see. That potentially puts a premium on preparedness, not performance.

What investors expect IR teams to do next

Few companies are fully equipped to quantify the impact of a global trade shock that is still unfolding. But waiting for a clear line of sight is not a viable strategy. Markets are already adjusting their assumptions and in that context, even partial visibility is valuable. In the most prepared companies, IR teams are not making predictions. They are framing risks and showing investors how management is thinking, even when answers are still emerging.

The most credible teams are doing five things:

1. **Flagging the right sensitivities** in IR materials: oil, FX, cost of debt, input costs by country, so that valuation assumptions are surfaced, not hidden.
2. **Reframing capital allocation decisions** to emphasize adaptability, not just return metrics, particularly around capex, debt levels and dividend distributions.
3. **Engaging top shareholders early**, not with forecasts, but with a clear articulation of current thinking and open questions.
4. **Preparing management with current investor questions**, not relying on recycled talking points from last quarter's script.
5. **Positioning the company as engaged, not defensive** by acknowledging risks and explaining the process being used to assess them.

These actions will not change the macro backdrop. But they will change how investors interpret the company's positioning, leadership maturity, and investment case.

The cost of silence will be a valuation discount

In uncertain times, markets assign value not only to what companies earn, but to how they behave. When a company goes quiet during a global shock, the buy-side does not assume resilience. It assumes unpreparedness. And that assumption gets reflected in a lower multiple, reduced coverage, or exclusion from investment altogether (both equity and debt). By contrast, companies that engage early often benefit. Even if performance softens, credibility holds.

Leadership in valuation begins with readiness

Investors are not asking for precision. They are asking for realism. They are not expecting control over macro conditions. They are expecting companies to demonstrate situational awareness, preparedness, and credible action plans.

In moments like these, valuation leadership is not about outperforming peers. It is about earning the benefit of the doubt. And that depends entirely on what companies choose to do next.

What can companies do to prepare?

Arrange a cross-functional meeting between CEO, CFO, IR, strategy, treasury, and segment heads to review macro exposure and investor expectations.

- **Work with the Board** to ensure they understand that silence is no longer neutral. It will be interpreted as being out of touch with reality.
- **Stress-test guidance** to ensure it reflects current conditions. Investors now value credibility over optimism.
- **Update 1Q 2025 disclosure frameworks** with new sensitivities and scenario logic, even if full-year guidance remains unchanged.
- **Prepare 2-3 slides that outline:**
  - i. Oil sensitivity
  - ii. FX risks
  - iii. Funding plans
  - iv. Operational flexibility
  - v. Guidance rationale
- **Schedule analyst check-ins** not to reassure, but to engage and listen to how investors are rethinking positioning.

For many leadership teams, the immediate challenge is not about having all the answers - it's about knowing what questions to ask and how to respond with credibility.

If your team is reassessing how to engage the market in this environment, Iridium's buy-side analysts can help.

About Iridium

Iridium is a management consulting firm and MENA's leading advisor on investor relations.

We unlock valuation potential by advancing the science and practice of investor relations.

Please don't hesitate to let us know if we can be of assistance in any way.

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