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Stock Market Reactions to u.s. Reciprocal Tariff Announcements: Evidence From Gcc and Selected Asean Countries

NORHAMIZA ISHAK
norhamizaishak@ums.edu.my
Universiti of Malaysia Sabah
Eva Nur
Malikussaleh University
Mohd Ashari Bakri
Universiti of Malaysia Sabah
Yee Ee Chia
Universiti of Malaysia Sabah
Jude W. Taunson
Universiti of Malaysia Sabah

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Abstract

This study examines the effect of the United States' Reciprocal Tariff Announcement of 2 April 2025 on stock markets, in the Gulf Cooperation Council (GCC) and Association of Southeast Asian Nations (ASEAN) markets using event study framework. The results reveal that the tariff announcement caused a substantial negative information shock, triggering adverse abnormal returns in both regions. ASEAN markets experienced greater losses, implying their greater dependence on global manufacturing networks and export-driven supply chains. On the contrary, GCC markets adjusted more slowly, a pattern aligned with market structures that are relatively less liquid and more fragmented. Meanwhile, sector-level analysis reveals that industries with a strong reliance on trade, including technology, industrials, transportation, and energy-related sectors, incurred the most enduring losses, whilst domestic sectors remained relatively resilient. The observation of abnormal returns persisting over several days indicates a slower adjustment of prices, especially in less liquid markets. These findings extend the literature on trade shocks by demonstrating that tariff announcements generate heterogeneous and enduring market responses across emerging economies, providing insights for investors and policymakers seeking to mitigate vulnerability in market structures.

JEL: G1, G14

1. INTRODUCTION

Global equity markets recorded steep declines during the United States' announcement of a new set of reciprocal tariffs on 2 April 2025. The measure, as outlined in official U.S. trade policy statements, was designed to support domestic manufacturing and lessen reliance on overseas markets (Kapar, Buigut, & Billah, 2025) apart from protecting the country (Kaczmarek, Demir, Rouatbi, & Zaremba, 2025b). Even so, financial markets responded negatively, with investors expecting renewed trade frictions, possible retaliatory actions, and disruptions to global supply chains. Equity prices dropped sharply, while market liquidity deteriorated, as shown by wider bid–ask spreads and shallower market depth. These reactions are in line with the event-study theory that stock prices would adjust quickly when new information changes future cash flow and risk projections (Amiti, Redding & Weinstein, 2019; Kaczmarek, Demir, Rouatbi, & Zaremba, 2025a; Kaczmarek, Demir, Rouatbi, & Zaremba, 2025b).

Tariffs influence the economy in several ways. By making imported goods and key inputs more expensive, they can interrupt production processes and lower the value added by industries. They also shift the balance between export and import prices, making a country less competitive in global markets in the long run (Petreski et al., 2017). Reciprocal tariffs, used to respond to trade barriers from other countries, are often seen as a way to make trade fairer. But evidence shows that they in fact increase uncertainty, discourage investment, and slow down global trade. Countries with high trade dependence or large trade surpluses have also been found to experience bigger stock market drops after tariff announcements (Farahat, 2022).

These issues are prominent in Gulf Cooperation Council (GCC) countries namely Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the UAE. Their economies depend heavily on oil exports, and their stock markets are different from many other emerging markets, with limited foreign investment, lower transparency, and relatively few listed companies (Wu, 2021). These characteristics can make GCC markets more sensitive to external policy shocks. US Economic Policy Uncertainty tends to negatively impact Bahrain's stock market, whereas Qatar sometimes experiences positive effects because of its strong links to global energy markets. (Alqahtani & Taillard, 2019). Announcements of US monetary policy have also been shown to boost excess returns in several GCC markets, with the UAE being the most prominent (Wu, 2021). While prior studies examined trade shocks in developed markets, little is known about structural differences in emerging markets, such as ASEAN (manufacturing-driven) and GCC (resource-dependent) reactions to reciprocal tariff announcements.

Meanwhile, the Association of Southeast Asian Nations (ASEAN), encompassing Malaysia, Singapore, Indonesia, Thailand, the Philippines, and Vietnam, has a very different economic setup. These countries are heavily involved in global production networks and export many manufactured goods like electronics, machinery, and car parts. Because of their strong trade links and supply-chain connections, tariff shocks tend to affect ASEAN stock markets quickly and directly. Studies of past trade conflicts show that ASEAN markets usually face bigger and longer-lasting losses, especially in industries closely connected to global supply chains.

The 2025 tariff announcement, hence, offers a clear chance to see how two very different regions react to the same global policy change. GCC economies rely mostly on natural resources and have more segmented financial markets, while ASEAN economies depend heavily on manufacturing and international trade. These differences mean that stock market reactions are likely to vary across regions and industries. Examining sectors is important as tariffs do not affect all industries in the same way. To illustrate, electronics, industrial transport, and consumer goods in ASEAN could see bigger drops in value, while energy and domestic services in the GCC might respond differently.

1.1 RATIONALE OF THE STUDIES

The US Reciprocal Tariff Announcement on 2 April 2025 shook global financial markets. Stock markets worldwide fell as investors feared renewed trade tensions, possible retaliation from major trading partners, and disruptions to supply chains. Although similar measures happened during the 2018–2019 US–China trade war, the 2025 situation occurred in a very different global setting. Supply chains are still under pressure, geopolitical risks are higher, and many economies are still recovering from past trade and pandemic disruptions. This new wave of tariffs therefore caused concerns that are bigger and different from those in earlier episodes.

Most studies on tariff shocks have focused on advanced economies like the United States, China, and Europe. Far less is known about how these shocks affect the Gulf Cooperation Council (GCC) and ASEAN regions, even though both play an increasingly important role in global trade and investment. GCC stock markets, in particular, are shaped by oil exports and tend to have less foreign investment, lower transparency, and fewer listed companies (Wu, 2021). Previous research shows that GCC markets respond differently to US policy changes. To illustrate, US Economic Policy Uncertainty tends to hurt Bahrain's stock market but can boost Qatar's, likely because Qatar is closely linked to global energy markets (Alqahtani & Taillard, 2019). Likewise, US monetary policy

announcements have a notable impact on returns in the UAE, Saudi Arabia, Kuwait, and Qatar, and indication that GCC markets are sensitive to global policy changes. Yet, no research has looked at how they reacted to the 2025 reciprocal tariff announcement.

ASEAN economies offer a very different picture. These countries are heavily involved in global manufacturing and supply chains, exporting many goods that are sensitive to tariffs, such as electronics, machinery, and car parts. As they rely heavily on trade and export-driven growth, tariff shocks are likely to hit ASEAN stock markets more quickly and strongly than GCC markets. But little is known about how ASEAN markets responded to the 2025 tariff announcement, with no systematic comparison between the ASEAN and GCC markets' reactions.

Another gap relates to the sector-level effects. Tariffs do not impact all industries equally. Sectors tied closely to international trade and global value chains, like electronics, industrial transport, and consumer durables, are generally more vulnerable than domestic industries. Yet, there is little empirical proof showing which sectors suffered the biggest losses in GCC and ASEAN markets after tariff announcements. No previous study has directly compared sector-level cumulative abnormal returns between these two regions in response to the same tariff shock.

Last but not least, how market structure affects reactions to tariff announcements is also still not well understood. The event-study theory suggests that price changes depend on factors like liquidity, transparency, and how quickly information spreads. Since GCC and ASEAN markets differ in these ways, their responses to tariff news could vary in both speed and size, but this hasn't been studied in detail. These gaps show the need for a comparison of the 2025 Reciprocal Tariff Announcement. By examining overall market moves and sector-level reactions in these two very different regions, this study sheds light on how tariff shocks affect emerging and frontier markets.

1.2 OBJECTIVES

This study sets out four research objectives, each tied to a research question and a hypothesis. The first objective is to examine how stock markets in the Gulf Cooperation Council (GCC) and the Association of Southeast Asian Nations (ASEAN) reacted to the 2025 US Reciprocal Tariff Announcement, and if the size of these reactions differs between the two regions. The second objective is to explore whether reactions differ across industries. Third, the study examines whether market characteristics influence the speed and magnitude of stock market responses. Finally, the study assesses the speed of information incorporation following the tariff announcement.

2. LITERATURE REVIEW

2.1 THEORETICAL- MARKET EFFICIENCY

The Efficient Market Hypothesis (EMH) provides the principal theoretical foundation for examining market reactions to exogenous shocks such as the COVID-19 pandemic. According to Fama (1970), an efficient market is one in which security prices "fully reflect" all available information, implying that investors cannot systematically earn abnormal returns once information becomes publicly known. Under the semi-strong form of efficiency, publicly disclosed events including pandemic announcements should be rapidly and unbiasedly incorporated into stock prices. Consequently, the persistence of statistically significant abnormal returns beyond the announcement date would indicate delayed information assimilation and, therefore, a deviation from market efficiency. Subsequent refinements of the EMH framework recognize that market anomalies may emerge in both directions. Fama (1998) argued that overreaction and underreaction are equally probable and often reflect chance outcomes rather than systematic inefficiencies. In this regard, finding by Chengying, Rui, and Ying (2022) and Rao, Lucey, and Kumar (2025) in their studies on short-term abnormal returns derived statistically significant mixed results (positive and negative), thereby aligning with the proposition that market anomalies may not necessarily contradict efficiency but may reflect temporary behavioral adjustments.

2.2 EMPIRICAL EVIDENCE

Chengying, Rui, and Ying (2022) investigated the stock reaction to the US-China trade war in March 2018. By using event-driven analysis, they explored six stages of different events that spanned from 23 March 2018 to 8 April 2018 and up to December 2018. They found that the Chinese stock market immediately reacted to the 3rd stage (30 May 2018 to 11 July 2018) event in which the US provoked to increase the tariff rate from 10% to 25% on $200 billion worth of Chinese products. The CSI all-share index showed a significant negative return of 1.92% on that day. In terms of sectors, the Consumer Discretionary Index and the Health Care Index had relatively large cumulative abnormal returns (-5.99% and − 11.13%) after 30 trading days. But the Telecommunication Service Index (10.67%) and Utilities Index (5.75%) had significant positive returns relative to the market average, respectively. While the 5th stage (between 2 August 2018 to 28 October 2018) showed that the CSI all share index dropped by -12.62% to the market average. On 2 August 2018, Consumer Discretionary (-5.57%) and Consumer Staples (-9.38%) were significant, while Energy had a significant excess return, respectively. The authors argue that the impact of the trade war on various industries has now become a systematic risk, while some industries had a significant negative excess return and are sensitively responding to the trade war.

Meanwhile, Rao, Lucey, and Kumar (2025) diligently explored market responses to the announcement of the US tariff policy by categorising countries into two groups: those with trade surpluses (Netherlands, Hong Kong, Singapore, Australia, the UAE, the UK, Brazil, Belgium, Chile, and Argentina) and those with trade deficits (China, Mexico, Vietnam, Canada, Germany, Japan, Ireland, South Korea, Thailand, Italy, India, and Russia). The analysis finds that countries with trade deficits react in various ways following the US tariff announcement. For example, Mexico's reaction to the event day (0) was negative, with a value of -0.0134. At the same time, India's market responded positively one day after the event (1-day) with 0.0144. At the same time, trade-surplus countries manifested notable positive cumulative abnormal returns (CAARs) during both the seven-day (-3,3) and eleven-day (-5,5) event windows. The authors argue that for trade-deficit nations, it seems that investors had anticipated the imposition of tariffs or expected temporary delays, especially since some tariffs were lifted shortly after the announcement (on 3 February 2025). Meanwhile, the positive responses in trade-surplus nations were driven by investor

optimism regarding the potential benefits of the US trade realignment for these economies; such nations were viewed as prospective alternative trading partners, heightening expectations for increased export demand or capital inflows.

Study by Wang, Wang, Zhong, and Yao (2020) examined how Chinese listed firms reacted to the US-China trade war in the stock market. They focused on two major trade war events: 23 March 2018 (the release of the Section 301 report and the announcement of tariffs on $50 billions of Chinese imports) and 6 May 2019 (President Trump's tweet announcing an increase in tariffs from 10% to 25% on $200 billions of Chinese goods). They studied 2,754 Chinese A-share listed firms in 2015 and found that both events had negative effects, with stock declines of 4.13% on 23 March and 4.78% on 6 May. Firms that relied more heavily on exports to the US were more vulnerable to tariff shocks, which lowered expected future cash flows and pushed down stock values. State-owned enterprises (SOEs) saw smaller negative reactions than non-SOEs, while non-SOEs without state support performed the worst, especially those with high exposure to tariffs. This suggests that SOEs are seen as safer investments during times of external policy uncertainty, likely due to implicit or explicit government backing.

Whilst Egger and Zhu's (2020) study shows how markets reacted to 19 major trade-war events, including the announcement and enforcement of tariffs during the 2018 US–China trade war. They analyse data from 31,217 firms across 40 countries and territories. Their results show that US companies faced a significant negative return of − 0.37% ten days after tariffs were imposed by their government. In contrast, Chinese firms experienced a smaller negative impact of − 0.22%, suggesting that US firms were hit harder than their Chinese counterparts. In addition, US firms were affected by China's retaliatory tariffs, experiencing a decline of − 0.26% (CAR − 1, + 10). The study notes that China's retaliatory measures had a significant negative impact on targeted US industries, particularly in agriculture and manufacturing. For direct tariffs, Chinese firms exposed to domestic China–China tariffs saw a negative effect of − 0.14%. Regarding indirect tariffs, US tariffs on third countries caused a significant negative impact of − 0.19% on firms linked to US sectors, although some gained from trade diversion. Indirect tariffs between China and third countries caused a smaller negative impact of − 0.07%, with effects varying across sectors depending on their role in global production networks—some benefited, while others were hurt. The authors argue that the negative consequences in both countries are deeply linked to these networks, disrupting the supply of inputs, increasing costs, and reducing competitiveness. US firms faced larger CAR declines from tariffs on China, showing that any protective gains were outweighed by domestic losses from higher input prices and restricted exports. Meanwhile, some firms in third countries, such as in Europe or Southeast Asia, gained new export opportunities or benefited from the diversion of trade disrupted between the US and China.

A recent study by Cocozza and Gallo (2025) studied all publicly traded firms in the S&P 500, accounting for about 80% of the total US equity market capitalisation. Their data cover the period from 8 August 2024 to 19 May 2025, but the study concentrates specifically on the tariff announcement on 3 April 2025. Their findings indicate that the market reacted negatively on the announcement day (Day 0), with the S&P 500's average abnormal return (AAR) falling by − 5.3%, with a further decline of − 6.1% on Day + 1. Over the four-day event window (Day 0 to + 3), the cumulative abnormal return (CAR) fell by − 10.8%. By sector, the largest losses were seen in Energy (–23.4%), Information Technology (–19.5%), and Materials (–18.1%), whereas the more domestic sectors like Consumer Staples (–5.8%) and Communication Services (–4.1%) saw smaller declines during the same period. In terms of firm size, the smallest quartile was hit hardest, with an average CAR of − 14.5%, compared to − 12.5% for the largest quartile. These negative returns support the Efficient Market Hypothesis' semi-string form, indicating that the market quickly incorporates trade policy risks, such as the tariff announcement, without prior warning. This sudden adjustment reflects heightened uncertainty, weakens investor confidence, and raises expectations of higher costs and supply chain disruptions, notably in sectors closely tied to global markets.

However, Anwer, Khattak, Migliavacca, and Farid (2025) examine how the US tariff announcement affected a range of global asset classes, including precious metals, risk-free assets, global equities, green assets, fiat currencies, energy, and cryptocurrencies. Their data cover 26 March to 9 April 2025, with the event day (Day 0) being 2 April 2025, when a baseline 10% tariff was applied to all imports, with higher rates for targeted countries like China, Canada, and Mexico. In the energy sector, Brent crude oil, silver, and the MSCI Asia equity index all saw significant declines, with cumulative abnormal returns (CARs) of − 11.79% (Day 0), − 14.65% (Day + 5), and − 11.61% (Day 0), respectively. At the same time, cryptocurrencies like Bitcoin (15.03%), Ethereum (16.35%), and XRP (28.71%) recorded strong short-term positive CARs on the event day (Day 0), significant at least at the 10% level. Other asset classes like gold, fiat currencies, and green indices showed little to no significant impact, indicating the non-uniformly disruptive market effects on a broader scale. The results indicate that investor worries were mainly focused on falling global trade and weaker energy demand amid the rising US–China crisis. The fall in silver likely reflected expectations of lower industrial demand, due to its widespread use in manufacturing and technology supply chains. Declines in Asian equity indices mirror concerns about slower exports, currency fluctuations, and potential retaliatory trade measures. By contrast, the brief surge in cryptocurrencies highlights their emerging role as a speculative hedge during periods of policy-driven uncertainty. Meanwhile, the stability of gold and other traditional safe-haven assets suggests that investors did not see the tariffs as signaling a permanent shift in global trade conditions.

Lastly, Wu (2021) investigates how the scheduling of the US Federal Open Market Committee (FOMC) influences investor expectations about interest rates, liquidity, and oil demand announcements between 2013 and 2019. The study finds that GCC markets earn statistically and economically significant positive excess returns on days when the US FOMC makes announcements. The UAE shows the strongest effect, contributing 92% of the total cumulative returns in the 3.5 days following the US policy announcement. Saudi Arabia (44%), Kuwait (31%), Qatar (35%), and Oman (with a positive offset) also show a significant positive impact, averaging 3.19 to 3.61 announcement days. The authors suggest that in Qatar and Oman, the abnormal returns observed just before or after announcements may result from information leakage or gradual market adjustment. Bahrain was the only GCC country to record slightly negative returns on announcement days, reflecting its smaller, more segmented financial market. Wu suggests that US monetary policy announcements account for roughly 45%–60% of overall GCC stock market performance, demonstrating the region's high sensitivity to global policy developments. Moreover, the widespread positive returns across the GCC indicate that US macroeconomic signals are transmitted directly to these markets, underscoring their growth in terms of global capital flows. Thus, there are four hypotheses' developments for this study as follows.

H1

The 2025 Reciprocal Tariff Announcement generates statistically significant negative abnormal returns in both GCC and ASEAN stock markets, with ASEAN markets experiencing larger losses than GCC markets.

H2

Trade-dependent sectors, including electronics, industrial materials, transportation, and consumer services, experience larger negative cumulative abnormal returns (CARs) following the tariff announcement than more domestically oriented sectors.

H3

Stock markets with higher liquidity and greater openness to foreign investors exhibit faster and more pronounced abnormal returns following the tariff announcement than less liquid and less open markets.

H4

The presence of multi-day abnormal returns following the tariff announcement indicates gradual market adjustment, particularly in markets with lower informational efficiency or weaker information dissemination mechanisms.

3. METHODOLOGY

3.1 DATA AND SAMPLE SELECTION

Data used in the study represent stock price from Thompson DataStream and Bloomberg databases on 2 April 2025. The listed companies were from Gulf countries (Kuwait, Oman, Saudi Arabia, Qatar, and United Arab Amirates) and ASEAN (Indonesia, China, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). The initial sample consisted of 11,371 companies for both regions. The final sample comprised 3,667 companies from 27 sectors/industries across two regions. However, data from 7,704 companies were marked as incomplete with no share price and thus were excluded from the sample. Table 1 shows the sectors and total of each company's characteristics.

Table 1
Sectors And Total of Each Company's Characteristics

Sector	Kuwait	Oman	Saudi Arabia	Qatar	UAE	Indonesia	China (H-Share)	China (SSE)	China (SZSE)	Malaysia	Philippines	Singapore	T
Total company by country	132	72	358	71	155	926	1870	1954	1542	1015	279	554	8
Automobiles & Parts													1
Beverage						10					3		
Chemical	2									20		15	
Consumer Services			11		4								
Electronic & Electrical Equipment			7			21	207	147	133	33	16	12	4
Food Producers			25		5	88				91	18		5
General Industrials			12			25	45	51	27	42		11	3
Health Care Providers			14		4					13			
Household Goods & Home Construction						15	43	27	27				
Industrial Engineering							126	155	113	38		21	1
Industrial Materials			4			16							9
Industrial Metals & Mining			15										
Industrial Support Services			10			16					2		
Industrial Transportation			6										
Investment Banking & Brokerage		7	6										
Media			4				46	31	60	14	2	7	6
Medical Equipment & Services			4										
Non-Life Insurance		6											
Oil, Gas & Coal	7	2		3								32	
Personal Goods						18	33	19	20				
Pharmaceuticals & Biotechnology			6									5	
Retailers							21	19	30				
Software & Computer Services	2						114	94	98				
Telecommunications Equipment							52	43	38				
Travel & Leisure	5												
Leisure Goods						7	31	32	16				
Technology Hardware & Equipment						6	158	154	138	37	3	23	9
Total													

4. RESULTS

The AAR patterns in Table 2 (GCC) and Table 3 (ASEAN) suggest that the tariff announcement is not a simple one-day shock, but rather a multi-day information event. For the GCC markets, the average AAR on the official event day (day 0) is very modest and close to zero, with the cross-country mean

around − 0.002. In most GCC markets, day-0 returns are statistically insignificant, with the notable exception of Kuwait and Saudi Arabia, which exhibit negative and weakly significant AARs, while Oman and, to a lesser extent, the UAE show small positive or statistically marginal responses. The more pronounced negative AARs in the Gulf tend to materialize on days + 1 and + 2, where the cross-country averages are approximately − 0.9% and − 1.5%, respectively, before partial rebounds on days + 3 and + 4. This pattern indicates that investors in the GCC do not fully incorporate the tariff news contemporaneously with the announcement, but adjust prices over subsequent trading days, consistent with the notion of gradual information diffusion or the arrival of clarifying information about the scope and persistence of the tariff measure.

Table 2
GCC countries for Average Abnormal Returns using the (AAR) from Day − 5 to Day + 5

Country/	**-5**	**-4**	**-3**	**-2**	**-1**	**0**	**1**	**2**	**3**	**4**	**5**
Event Day	**26 March 2025**	**27 March 2025**	**28 March 2025**	**31 March 2025**	**1 April 2025**	**2 April 2025**	**3 April 2025**	**4 April 2025**	**7 April 2025**	**8 April 2025**	**9 April 2025**
Bahrin	0.002	-0.002	0.000	0.000	0.000	-0.001	-0.001	-0.002	-0.001	0.003	-0.004
	(0.274)	(0.300)	(0.172)	(0.172)	(0.172)	(0.246)	(0.585)	(0.489)	(0.632)	(0.262)	(0.222)
Kuwait	0.001	-0.001	-0.001	-0.001	-0.001	-0.011	-0.045	0.048	-0.006	0.002	-0.003
	0.821	0.000***	0.000***	0.000***	0.700	0.010***	0.000***	0.000***	0.154	0.588	0.311
Oman	0.002	0.006	0.000	0.000	0.000	0.000	0.000	-0.021	0.007	0.003	0.007
	0.482	0.258	0.032 **	0.032**	0.032**	0.032**	0.032**	0.000***	0.212	0.515	0.049**
Qatar	0.005	-0.008	0.000	0.000	0.000	0.000	0.000	-0.034	-0.001	0.015	-0.001
	0.005***	0.003***	0.026**	0.036**	0.034**	0.552	0.208	0.000***	0.699	0.000***	0.429
Saudi	-0.001	0.004	0.000	0.000	0.000	0.000	-0.003	-0.072	0.048	0.003	-0.005
	0.527	0.001***	0.031**	0.031**	0.031**	0.031**	0.059	0.000***	0.000***	0.046**	0.000***
UAE	0.002	0.003	0.000	-0.001	0.000	0.002	-0.007	-0.006	-0.010	0.001	-0.002
	0.381	0.152	0.823	0.007***	0.083*	0.300	0.000***	0.017**	0.000***	0.596	0.317

In the ASEAN countries as shown in the Table 3, the pattern is sharper and more pronounced, especially in the post-event window. On average, day-0 AARs are slightly positive, reflecting modest gains in several Chinese listings and some ASEAN bourses, while Indonesia and Malaysia show small negative or insignificant day-0 reactions. However, the adjustment in ASEAN is concentrated in the days immediately after the event. The cross-country mean AARs on days + 1 and + 2 are about − 1.4% and − 1.3%, respectively, and there is a particularly large negative average AAR on day + 3 (around − 9–10% across the nine markets, driven by very large one-day losses in several indices). This suggests that ASEAN markets interpret the tariff news as materially adverse for expected cash flows only after more information about implementation details, retaliation risks, or supply-chain implications becomes available as argued by Kaczmarek, Demir, Rouatbi, and Zaremba (2025b). The results are broadly consistent with literature on trade and tariff shocks, which typically finds that protectionist announcements are perceived as value-reducing news for globally integrated, export-oriented markets, but with substantial cross-country heterogeneity depending on trade exposure, sectoral structure, and macroeconomic fundamentals (e.g., Brown & Warner, 1985; MacKinlay, 1997).

Table 3
ASEAN countries for Average Abnormal Returns using the (AAR) from Day − 5 to Day + 5

Country/Event Day	-5	-4	-3	-2	-1	0	1	2	3	4	5
	26 March 2025	27 March 2025	28 March 2025	31 March 2025	1 April 2025	2 April 2025	3 April 2025	4 April 2025	7 April 2025	8 April 2025	9 April 2025
Indonesia	0.034	0.007	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.090	-0.008
	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
China (H-share listing)	0.006	-0.0001	-0.018	-0.015	0.0147	0.002	-0.009	-0.000	-0.193	0.020	0.035
	0.000***	0.240	0.000***	0.000***	0.000***	0.000***	0.000***	0.470	0.000***	0.000***	0.000***
China (Shanghai Stock Exchange (SSE)	0.009	-0.003	-0.023	-0.019	0.015	0.002	-0.010	-0.000	-0.230	0.024	0.040
	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
China (A-Share SZSE)	0.010	-0.005	-0.025	-0.019	0.014	0.003	-0.012	-0.001	-0.247	0.024	0.043
	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.0000**	0.000***	0.000***	0.000***
Malaysia	0.001	0.019	-0.010	0.001	0.001	-0.002	-0.007	-0.025	-0.114	0.017	-0.052
	0.709	0.000***	0.000***	0.000***	0.000***	0.254	0.000***	0.000***	0.000***	0.000***	0.000***
Philippines	-0.002	-0.010	0.007	0.002	0.000	0.007	-0.006	-0.003	-0.039	0.014	0.000
	0.226	0.000***	0.004***	0.379	0.105	0.006***	0.003***	0.142	0.000***	0.000***	0.105
Singapore	-0.005	0.004	0.002	0.000	-0.007	-0.006	-0.000	-0.022	-0.066	-0.004	-0.016
	0.079*	0.066*	0.428	0.453	0.018**	0.011**	0.873	0.000***	0.000***	0.226	0.000***
Thailand	0.005	-0.006	-0.015	-0.024	0.012	0.007	-0.013	-0.048	0.001	-0.085	0.014
	0.002***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
Vietnam	-0.002	-0.001	-0.004	-0.005	0.007	0.002	-0.069	-0.018	0.000	-0.065	-0.026
	0.001***	0.063*	0.000***	0.000***	0.000***	0.011***	0.000***	0.000***	0.000***	0.000***	0.000***

In terms of sectors, Kuwait exhibits the strongest and most consistent negative reactions among the GCC markets, particularly in sectors exposed to international mobility, global demand, and commodity cycles. Travel & Leisure reports substantial and statistically significant negative cumulative abnormal returns (CARs) over short windows, including CAR (−3,1) = − 10.0% (p = 0.021) and CAR (−1,1) = − 9.7% (p = 0.018), signalling an immediate and adverse market reassessment post-announcement. This indicates investor concerns about limited international travel, weaker tourism inflows, and spillover effects from global trade disruptions. Likewise, Oil, Gas & Coal reports significant declines over medium- and long-term windows, notably CAR (−5,1) = − 7.0% (p = 0.037) and CAR (−10,10) = − 6.7% (p = 0.083), indicating market expectations of lower global energy demand due to rising trade tensions. Industrial Materials also reports pronounced negative abnormal returns, with CAR (−3,1) = − 5.4% (p = 0.012) and CAR (−1,1) = − 5.2% (p = 0.009), reflecting its sensitive nature to global construction and manufacturing cycles. All these results support *H1* and *H2*, affirming the vulnerability of Kuwait's trade- and commodity-exposed sectors.

Oman shows weak and mostly insignificant market reactions, suggesting it was partly shielded from the tariff shock. In most of the sectors, CARs are small and statistically insignificant, reflecting the country's lower integration into global equity markets and less exposure to manufacturing trade. CARs remain insignificant even in Oil, Gas & Coal, indicating investors' perception that the tariff announcement has no material effect on Oman's energy demand. This subdued response relates to the lower liquidity and limited foreign investor participation, supporting *H3* that less open markets have weaker and slower reactions.

Saudi Arabia is shown to be highly sensitive to sectors in financial and consumer-related industries. Investment Banking & Brokerage reports statistically significant negative CARs in short windows, including CAR (−3,1) = − 0.6% (p = 0.026) and CAR (−1,1) = − 0.6% (p = 0.048), indicating higher uncertainty in terms of capital flows, deal activity, and investor sentiment post-announcement. Oil, Gas & Coal, meanwhile, is only significant over prolonger horizons, with CAR (−10,10) = − 1.2% (p = 0.066), indicating steady reassessment of global energy demand instead of an instant shock. Likewise, Food Producers shows pronounced long-window losses, CAR (−10,10) = − 3.1% (p = 0.035), suggesting worries about imported inputs and costly productions. All these are in line with *H4* that information absorption occurs gradually.

Qatar's limited and weak reaction reflects its strong link to energy markets and steady export demand. Across all the windows, a majority of the sectors show insignificant CARs. The Oil, Gas & Coal sector's highly pronounced non-negative reaction shows investors' expectation that Qatar's long-term gas contracts and energy exports would stay resilient amidst tariff-caused trade issues. Echoing past findings, Qatar may react distinctly to global policy shocks owing to its position in the energy market and the sovereignty of its support mechanisms.

The UAE exhibits a varied yet economically significant response, reflecting both its diversified economy and its position as a regional trade hub. While short-window reactions are largely insignificant across many sectors, several industries show substantial adjustments over longer windows. Industrial Transport demonstrates significant CAR (−10,10) = − 5.4% (p = 0.052), suggesting delayed but strong reassessment of supply-chain exposure and logistics activity. Consumer Services reports CAR (−10,10) = − 6.9% (p = 0.040), indicating that continued trade uncertainty lowers domestic demand expectations associated with international business and tourism. General Industrials, meanwhile, shows a positive CAR (−5,1) = + 3.2% (p = 0.024), indicating potential trade-diversion benefits and substitution impacts. In line with *H2*, this means that even with pronounced negative effects, structural repositioning is still beneficial for some sectors.

Comparing across the countries, valuation responses are found to be varied based on the economic structure, global market sectoral exposure, and market depth in general. Kuwait reports the most pronounced negative CARs sectors-wide owing to its high global demand and energy exports. Oman, on the contrary, has the most insignificant CARs, suggesting that it's partially insulated from the tariff shock. A mixed reaction is shown by the UAE, entailing both significant losses and isolated gains, a reflection of the country's diversified economy and role as a trade and logistics hub in the region. In line with *H3*, these findings suggest that market characteristics like liquidity, openness, and sectoral composition determine the extent and speed of the GCC countries' stock market reactions as shown in the Table 4.

Table 4
CAR for GCC countries by Sectors

Sector	Kuwait	Oman	Saudi Arabia	Qatar	UAE
Oil, Gas and Coal					
CAR (-3,1)	-0.060	0.006		-0.001	
	(0.103)	0.219		0.301	
CAR (-1,1)	-0.056	0.004		-0.001	
	0.106	0.219		0.347	
CAR (-1,0)	-0.019	0.002		0.000	
	0.527	0.219		0.337	
CAR (-5,1)	-0.070	0.017		-0.002	
	0.037**	0.091		0.610	
CAR (-10,10)	-0.067	-0.012		-0.022	
	0.083*	0.066*		0.111	
Investment Banking & Brokerage					
CAR (-3,1)		0.004	-0.006		
		0.321	0.026**		
CAR (-1,1)		0.002	-0.006		
		0.321	0.048**		
CAR (-1,0)		0.002	-0.001		
		0.321	0.798		
CAR (-5,1)		0.062	-0.010		
		0.125	0.442		
CAR (-10,10)		0.058	-0.079		
		0.267	0.070*		
Non-life Insurance					
CAR (-3,1)		0.000			
		0.672			
CAR (-1,1)		0.000			
		0.672			
CAR (-1,0)		0.000			
		0.672			
CAR (-5,1)		-0.022			
		0.250			
CAR (-10,10)		-0.037			
		0.157			
Travel & Leisure					
CAR (-3,1)	-0.100				
	0.021**				
CAR (-1,1)	-0.097				
	0.018**				
CAR (-1,0)	-0.021				
	0.329				
CAR (-5,1)	-0.089				
	0.031**				

Sector	Kuwait	Oman	Saudi Arabia	Qatar	UAE
CAR (-10,10)	-0.044				
	0.592				
Chemicals					
CAR (-3,1)	0.011				
	0.857				
CAR (-1,1)	0.012				
	0.843				
CAR (-1,0)	0.013				
	0.101				
CAR (-5,1)	0.015				
	0.754				
CAR (-10,10)	-0.042				
	0.286				
Software & Computer Services					
CAR (-3,1)	0.016				
	0.194				
CAR (-1,1)	0.014				
	0.052**				
CAR (-1,0)	0.129				
	0.124				
CAR (-5,1)	-0.028				
	0.675				
CAR (-10,10)	0.060				
	0.531				
Food Producers					
CAR (-3,1)			-0.012		0.008
			0.076*		0.102
CAR (-1,1)			-0.012		-0.003
			0.065 *		0.399
CAR (-1,0)			0.000		-0.003
			0.351		0.444
CAR (-5,1)			-0.006		-0.007
			0.453		0.585
CAR (-10,10)			-0.022		-0.031
			0.050 *		0.035**
Consumer Services					
CAR (-3,1)			0.009		-0.003
			0.472		0.872
CAR (-1,1)			0.011		0.005
			0.380		0.568
CAR (-1,0)			-0.002		0.008
			0.060 *		0.204
CAR (-5,1)			0.024		-0.014

Sector	Kuwait	Oman	Saudi Arabia	Qatar	UAE
			0.217		0.439
CAR (-10,10)			-0.036		-0.069
			0.100		0.040**
Health Care Providers					
CAR (-3,1)			-0.005		-0.029
			0.222		0.146
CAR (-1,1)			-0.007		-0.007
			0.099*		0.751
CAR (-1,0)			0.002		0.021
			0.032**		0.379
CAR (-5,1)			-0.002		-0.036
			0.824		0.194
CAR (-10,10)			-0.030		0.019
			0.224		0.564
Industrial Metals & Mining					
CAR (-3,1)			-0.008		
			0.087*		
CAR (-1,1)			-0.008		
			0.088*		
CAR (-1,0)			0.000		
			0.794		
CAR (-5,1)			0.009		
			0.477		
CAR (-10,10)			-0.019		
			0.065*		
Industrial Support Services					
CAR (-3,1)			-0.007		
			0.334		
CAR (-1,1)			-0.006		
			0.369		
CAR (-1,0)			-0.001		
			0.403		
CAR (-5,1)			-0.001		
			0.948		
CAR (-10,10)			-0.010		
			0.748		
General Industrials					
CAR (-3,1)			-0.002		
			0.849		
CAR (-1,1)			-0.001		
			0.893		
CAR (-1,0)			-0.001		
			0.443		

Sector	Kuwait	Oman	Saudi Arabia	Qatar	UAE
CAR (-5,1)			0.032		
			0.024**		
CAR (-10,10)			-0.029		
			0.313		
Pharmaceuticals & Biotechnology					
CAR (-3,1)			-0.028		
			0.129		
CAR (-1,1)			-0.027		
			0.115		
CAR (-1,0)			-0.001		
			0.564		
CAR (-5,1)			-0.015		
			0.339		
CAR (-10,10)			-0.026		
			0.519		
Medical Equipment & Services					
CAR (-3,1)			0.014		
			0.509		
CAR (-1,1)			0.018		
			0.404		
CAR (-1,0)			-0.004		
			0.211		
CAR (-5,1)			-0.001		
			0.956		
CAR (-10,10)			-0.083		
			0.143		
Media					
CAR (-3,1)			0.004		
			0.664		
CAR (-1,1)			0.005		
			0.587		
CAR (-1,0)			-0.001		
			0.750		
CAR (-5,1)			0.004		
			0.862		
CAR (-10,10)			-0.033		
			0.520		
Industrial Transport					
CAR (-3,1)			-0.006		
			0.157		
CAR (-1,1)			-0.006		
			0.088*		
CAR (-1,0)			0.001		

Sector	Kuwait	Oman	Saudi Arabia	Qatar	UAE
			0.195		
CAR (-5,1)			-0.011		
			0.409		
CAR (-10,10)			-0.054		
			0.052*		
Electronic & Electrical Equipment					
CAR (-3,1)			0.008		
			0.410		
CAR (-1,1)			0.012		
			0.257		
CAR (-1,0)			-0.004		
			0.022**		
CAR (-5,1)			0.018		
			0.580		
CAR (-10,10)			0.017		
			0.675		
Industrial Materials					
CAR (-3,1)			-0.054		
			0.012***		
CAR (-1,1)			-0.052		
			0.009***		
CAR (-1,0)			-0.002		
			0.689		
CAR (-5,1)			-0.048		
			0.127		
CAR (-10,10)			-0.050		
			0.550		

The strongest abnormal reactions were observed in sectors that are highly integrated into global production networks. Technology Hardware & Equipment recorded the largest cumulative losses across ASEAN markets, consistent with the findings of Kaczmarek, Demir, Rouatbi and Zaremba (2025a). It reported CAR of (−10,10)−3.08% in China (SSE), − 2.33% in China (SZSE), and − 1.54% in Vietnam, suggesting major downward revision of projected long-term earnings. Electronic & Electrical Equipment also reported major negative abnormal returns, with CAR of (−10,10)−2.20% in China (SSE), − 2.58% in China (SZSE), and CAR (−3,1) − 4.9% in Vietnam. All these indicate that the tariff shocks negatively impacted the projected cash flows of export-based firms, more so than the domestic ones. The CARs' extent and statistical significance strongly affirm the assertion of *H1* about negative abnormal returns, as well as *H2* regarding the larger losses incurred by trade-based sectors. These shocks were absorbed by financial markets in a rather quick and definitive manner, suggesting worries about supply-chain interruptions and lower external demand.

Some ASEAN sectors demonstrated prolonged cumulative negative CARs over longer event windows, revealing higher vulnerability to supply-chain risks. Industrial Engineering experienced continued valuation losses, with CAR of (−10,10)−2.69% in China (SSE), − 11.1% in China (SZSE), and − 5.2% in Thailand. The same goes for General Industrials which reported major drops of − 17.5% and − 17.1% in China (SSE and SZSE, respectively), and − 4.2% in Malaysia. All these indicate the tariff announcement's effect in disrupting market expectations in relation to sustained production, logistics efficiency, and cross-border transactions. The prolonged negative CARs over longer windows is an indication of investors' internalization of the short- and long-term effects of supply-chain disruptions.

Market structure, particularly liquidity, foreign investor participation, and market openness, is shown to be crucial in determining both the speed and strength of stock market reactions to the tariff announcement. Highly liquid exchanges, such as China's SSE and SZSE, adjusted quickly, as shown by immediate abnormal returns. To illustrate, Technology Hardware in China (SSE) reported CAR of (−1,0) + 1.2%. Likewise, Medical Equipment in Singapore showed initial response with CAR of (−1,0) + 1.8%, whilst Food Producers in Malaysia responded instantaneously with CAR of (−3,1) − 4.2%. Less liquid markets like the Philippines responded weakly over short-window periods, demonstrating statistically significant effects only over prolonged cumulative windows. All these

support *H3*, affirming the effect of market characteristics on the timing and degree of abnormal price adjustments. Past empirical studies also showed the same findings, i.e., that markets with more efficient information channels can absorb macroeconomic shocks better.

Some ASEAN sectors gradually absorbed the tariff announcement, as shown in their statistically significant long-window cumulative abnormal returns. Software & Computer Services in China (SSE), for instance, reported a major decline in CAR (−10,10) − 30.6%, whilst Technology Hardware recorded CAR of (−10,10)−26.9% in China (SSE) and − 15.4% in Vietnam. These multi-day patterns are an indication that the markets needed time to evaluate the tariff policy's extended economic implications. Event-study proof from emerging markets confirms this behaviour of slower information dissemination and more significant trading frictions. These results support *H4* that not all ASEAN markets would immediately absorb new information. Instead, gradual price adjustments occur in line with shifts in uncertainty and the availability of additional signals.

In Malaysia, Health Care Providers reported a modest reaction with CAR of (−3,1)−0.7%, whilst China's Beverage sector (H-shares) showed non-significant returns with CAR of (−3,1)−1.5%. These subdued reactions suggest that sectors less involved in international trade were partly protected from the tariff's direct effects. Valuation changes in these cases were likely prompted by indirect effects instead of instantaneous shifts in external demand or input costs. These findings support the view that tariff sensitivity differs more across sectors than across countries, in line with the assertion of *H2*. Unlike the mostly negative reactions, some ASEAN sectors recorded statistically significant positive cumulative abnormal returns, indicating prospects for trade-diversion. Indonesia's Automobiles & Parts, for instance, reported CAR of (−1,0) + 1.4%, while its Electronic & Electrical Equipment reported CAR of (−5,1) + 4.3%. These positive abnormal returns suggest that firms in these sectors may have benefited from demand shifting away from markets hit by the tariffs. This shows that tariff shocks can have uneven effects, with some industries gaining a competitive edge from changes in global sourcing. Overall, these results refine *H2*, indicating that while trade-dependent sectors usually face losses, some may see gains when market conditions change as recorded in Table 5.

5. DISCUSSION

This study investigates how the 2025 US Reciprocal Tariff Announcement was reflected in stock prices across GCC and ASEAN markets, focusing on regional differences, sectoral exposure, market structure, and the speed of information adjustment. The results show that the tariff announcement acted as a major negative information shock, but its effects were uneven across regions and over time. Instead of being absorbed immediately, the announcement led to multi-day valuation adjustments, highlighting the persistent uncertainty that tariffs create in global financial markets. Overall, both GCC and ASEAN markets experienced negative abnormal returns after the tariff announcement, supporting *H1*. The timing, however, differed across regions. In GCC markets, abnormal returns on the event day were small and mostly insignificant, with larger negative adjustments appearing on days + 1 and + 2. This suggests that GCC investors updated their expectations gradually as more information on implementation, retaliation risks, and global demand became available.

In contrast, ASEAN markets showed sharper and more concentrated declines after the announcement. Reactions on day 0 were mixed or weak, but large negative abnormal returns appeared quickly in the following days, especially on day + 3, highlighting their strong sensitivity to trade policy shocks. This reflects the ASEAN economies' strong links to global manufacturing and exports, where tariffs directly affect cash flows, production, and foreign demand. Overall, the results suggest that tariff announcements create multi-day effects instead of one-off shocks, making them a lasting source of market risk. The different reactions of GCC and ASEAN markets show that economic structure shapes how tariffs affect stock prices. ASEAN markets responded more strongly, reflecting their dependence on trade and global value chains. Investors quickly updated earnings expectations due to expected supply-chain disruptions and slower exports.

The GCC markets in comparison reacted more slowly, reflecting their resource-based economies, lower market liquidity, and less integrated financial systems. Even though these countries are affected by global economic conditions especially through energy markets the indirect impact of tariffs meant investors adjusted their expectations more gradually. This suggests that a country's specific trade exposure, rather than just how open its markets are, is a major factor in how sensitive it is to tariffs. The sector-level analysis clearly supports *H2* and shows that tariff shocks affected industries very differently. In both regions, sectors closely linked to global production like Technology Hardware & Equipment, Electronics, Industrial Engineering, Materials, and Transportation experienced the biggest and longest-lasting losses. This reflects investors' expectations of higher input costs, supply-chain disruptions, and weaker export performance for firms in global markets.

Sectors in the GCC like Travel & Leisure, Oil, Gas & Coal, and Industrial Materials fell sharply, reflecting concerns about weaker global demand, lower energy use, and less international travel. In ASEAN, technology and manufacturing sectors saw sustained losses, suggesting that investors were rethinking long-term growth rather than just reacting to short-term price moves. Overall, these results show that tariff announcements shift value between industries, hitting trade-dependent sectors the hardest.

The results strongly support *H3*, showing that market features influence both how quickly and how strongly prices adjust. More liquid and open markets like China, Singapore, and Malaysia reacted quickly, with significant abnormal returns appearing soon after the announcement. Less liquid markets including some GCC exchanges and parts of ASEAN responded more slowly, with significant cumulative abnormal returns only appearing over longer periods. These patterns show that differences in information flow, trading conditions, and investor presence matter. Markets with higher liquidity and more foreign investors adjust quickly to global policy news, while less connected or segmented markets take longer to respond. Lastly, the multi-day abnormal returns across many countries and sectors clearly support *H4*. Stock prices didn't adjust all at once but continued changing over time, especially in sectors closely linked to global markets. This slow adjustment shows that investors took time to consider secondary effects, like retaliation risks, supply-chain changes, and long-term shifts in global trade.

From a governance and policy perspective, the research underscores the importance of strengthening financial literacy and resilience frameworks, particularly in alignment with the United Nations Sustainable Development Goals (SDGs) notably SDG 1 (No Poverty), SDG 2 (Zero Hunger), and SDG 9 (Industry, Innovation, and Infrastructure).

6. CONCLUSION

This study looked at how the 2025 US Reciprocal Tariff Announcement affected stock markets in the GCC and ASEAN, focusing on regional differences, sectoral variations, market structure, and how quickly markets absorbed the news. Using a multi-window event-study approach, the results show that the announcement was a major negative shock, but its impact unfolded unevenly across regions, industries, and over time. The findings show that both GCC and ASEAN markets faced negative valuation effects, but ASEAN markets reacted more strongly and quickly due to their deeper integration into global manufacturing and export-oriented supply chains.

The GCC markets in comparison adjusted more gradually, reflecting their resource-based economies, lower liquidity, and more segmented financial systems. At the sector level, industries embedded in global value chains such as technology hardware, electronics, industrial engineering, transportation, and materials experienced the largest and most persistent losses, while domestically focused sectors were relatively protected and, in some cases, even gained from trade diversion. Overall, these results show that tariff announcements shift value across sectors rather than affecting all markets equally.

Notably, the significant multi-day abnormal returns across countries and sectors indicate that tariff announcements have lasting effects beyond the immediate price reaction. Instead of being quickly absorbed, the 2025 tariff announcement triggered a sustained re-evaluation of future cash flows, supply-chain resilience, and global trade conditions. This persistence highlights trade policy uncertainty as a source of systematic risk in today's global business environment. There are a few limitations to this study. Firstly, it only considers short- to medium-term stock market reactions and ignores account firm-level factors such as export intensity or balance-sheet exposure. It also considers only one tariff event, which may limit how well the results apply to other policies or geopolitical situations. Future studies could expand on this by looking at differences between firms, incorporating macro-financial channels like exchange rates and capital flows, or analysing multiple tariff announcements to explore how market learning, anticipation, and policy credibility could change over time. This study primarily contributes to international business and finance literature by showing how modern tariff announcements impact emerging and frontier markets with different structures. The findings reveal that tariffs create lasting and uneven effects on markets, providing valuable insights for investors, multinational companies, and policymakers dealing with ongoing trade policy uncertainty.

Declarations

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ETHICS DECLARATIONS

Conflict of Interest

The author(s) declare that they have no competing financial interests, non-financial, or personal relationships that could have appeared to influence the work reported in this paper.

DATA AVAILABLE

The author confirms that all data generated or analyzed during this study are included in this published article. Furthermore, secondary sources and data supporting the findings of this study were all publicly available at the time of submission.

Author Contribution

Norhamiza Ishak (Draf Writing)Eva-Nur (Literature review)Mohd Ashari Bakri (Review Introduction)Yee Ee Chia (Review Result)Jude W. Taunson (Methodology)

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Tables

Table 5 and 6 are available in the Supplementary Files section.

Supplementary Files

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- TableSector.docx