Global material sector reactions to Trump's tariff postponement: multi-country evidence from an event study

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Abstract

Purpose – This study aims to investigate the market reactions of material firms to Trump's tariff postponement announcement on April 9, 2025, emphasizing variations across market types, industries, firm size, growth and tariff levels.

Design/methodology/approach – Applying an event study methodology, the research measures market reactions using Cumulative Abnormal Returns (CAR) for a sample of 1,174 firms from 47 countries. The analysis is conducted across market types, industries and firm characteristics, with cross-sectional regressions employed to assess the influence of tariff exposure on market behavior.

Findings – The findings reveal heterogeneous market reactions to the US tariff postponement announcement, with negative abnormal returns before the event turning significantly positive afterward across markets, industries and firm characteristics. The strongest post-event gains are concentrated in developed markets and highly trade-exposed industries such as Metals and Mining, Chemicals and Containers and Packaging, as well as among small-cap and high-growth firms. Cross-sectional results show that higher tariff exposure amplifies pre-event losses but leads to stronger positive cumulative abnormal returns after the announcement, reflecting investor optimism toward policy relief.

Originality/value – This study is the first to examine tariff postponements, rather than direct tariff impositions, across all US trade partners, offering new insights into how reduced policy uncertainty shapes global market sentiment. It also introduces the Material sector as a novel context, demonstrating how tariff shocks and their deferrals reverberate through industries that are central to global supply chains yet previously overlooked in the literature.

Keywords Event study, Material sector, Tariff postponement, Market reaction

Paper type Research article

1. Introduction

The global material sector, which supplies essential inputs such as metals, chemicals and construction materials, plays a central role in international trade and supports downstream

industries worldwide. Among these, the communication services sector depends heavily on stable material supplies to develop infrastructure such as telecommunications networks and electronic devices (Constantinescu *et al.*, 2020). Due to its deep integration into global supply chains, the material sector is highly exposed to trade policy disruptions that can generate ripple effects across industries that rely on its outputs. Although existing studies acknowledge this vulnerability, most prior event study research has focused on tariff impositions and has not examined how markets respond when anticipated tariff increases are postponed (Wengerek *et al.*, 2025; Kaczmarek *et al.*, 2025a, b; Rao *et al.*, 2025; Chen *et al.*, 2023). This gap limits current understanding of how reductions in trade policy uncertainty shape market behavior, especially in globally integrated sectors.

The US tariff policy announcements under President Donald Trump in April 2025 provide a clear setting to investigate this issue. On April 2, 2025, Trump announced sweeping tariffs on imports from countries with trade surpluses with the USA, raising concerns regarding protectionist pressures that could destabilize global trade, increase input costs and unsettle financial markets (Badawi, 2024). This announcement heightened uncertainty for trade exposed subsectors such as Metals and Mining and Chemicals, which supply critical components for communication services including wiring, circuitry and network infrastructure (Dong and Kouvelis, 2020). One week later, on April 9, 2025, these tariff hikes were postponed, easing market anxiety and providing a natural experiment to assess the effects of both heightened uncertainty and its temporary resolution. Despite the relevance of this sequence of events, prior studies have not explored how tariff postponements affect the material sector and interconnected industries.

Prior research extensively documents that Trump's tariff imposition announcements trigger significant negative abnormal returns and financial contagion across global equity markets (Akhtaruzzaman *et al.*, 2025). Cross-country evidence further shows that the April 2, 2025 reciprocal tariff announcement led to sharp and widespread stock market declines, particularly in countries and sectors with high tariff exposure (Kaczmarek *et al.*, 2025a). Early market reactions to Trump's protectionist policies also reveal heightened volatility, stronger cross-market correlations and increased systemic risk following tariff announcements (Kapar *et al.*, 2025). Firm- and market-level analyses confirm that Trump's tariffs elevate uncertainty and depress asset valuations through growth expectation and risk premium channels (Chen *et al.*, 2023). Consistent negative stock price reactions to tariff imposition announcements during the Trump administration are also observed at the firm level, regardless of whether tariffs are imposed by the USA or retaliated by trade partners (Wengerek *et al.*, 2025). Despite this substantial body of evidence on tariff escalations, no existing study examines financial market reactions to tariff postponement announcements under Trump's trade policy, which signal a delay rather than an intensification of protectionist measures.

Historically, tariffs have shaped the competitiveness of industries reliant on cross-border trade by increasing input costs, restricting exports and disrupting commodity markets (Constantinescu *et al.*, 2020). These dynamics are particularly salient in the materials sector, which encompasses subsectors such as Metals and Mining, Chemicals, Paper and Forest Products, Containers and Packaging and Construction Materials. Export-oriented subsectors, including Metals and Mining and Chemicals, are especially vulnerable to tariff shocks, whereas more domestically oriented subsectors, such as Construction Materials, tend to exhibit different market responses (Dong and Kouvelis, 2020). Although prior studies by Shang *et al.* (2025) and Czech *et al.* (2023) have examined the effects of tariffs on manufacturing and commodity markets, limited attention has been paid to how trade policy uncertainty is transmitted to the communication services sector through material supply chains. Evidence from the first Trump administration indicates that tariff imposition announcements generated negative stock market reactions in the materials sector, particularly among US companies (Wengerek *et al.*, 2025).

Based on this context, this study addresses the following research questions. First, how did global material sector markets react to the tariff postponement relative to the initial tariff

announcement. Second, how these reactions varied across market classifications, material subsectors and firm characteristics. Third, how tariff exposure shaped the magnitude of market responses. Fourth, whether postponement uniformly reduced uncertainty across countries and industries.

The findings indicate that the US tariff postponement announcement in April 2025 generated predominantly positive abnormal returns across most markets and segments of the materials sector, particularly in the post-event period. This suggests that investors interpreted the delay as a stabilizing signal that reduced trade policy uncertainty and revised expectations of future trade costs. These results contrast with extensive evidence documenting negative market reactions to tariff imposition announcements, which typically heighten uncertainty and depress equity valuations (Akhtaruzzaman *et al.*, 2025; Kaczmarek *et al.*, 2025a). At the industry level, metals and mining exhibited the strongest negative pre-event reactions but also the most pronounced post-event rebounds, reflecting high sensitivity to international commodity flows and tariff-related uncertainty, consistent with the trade policy uncertainty framework (Bown and Irwin, 2019; Hayakawa *et al.*, 2020).

This study contributes to the literature in two important ways. First, it extends existing research on US trade policy and financial markets (Chen *et al.*, 2023; Rao *et al.*, 2025; Wengerek *et al.*, 2025) by shifting the focus from direct tariff impositions to tariff postponements, thereby providing novel evidence on how reductions in trade policy uncertainty shape investor behavior. While prior studies predominantly document negative market reactions to tariff announcements, this study shows that delaying tariff implementation can reverse these effects, particularly for countries with higher tariff exposure, highlighting the role of expectation revisions and risk premium adjustments in asset pricing (Caldara *et al.*, 2020; Poilly and Tripier, 2025). Unlike earlier work that largely concentrates on China-specific shocks, this analysis considers tariff policies applied to all US trade partners, offering a more comprehensive view of global trade-related market dynamics.

Second, this study introduces the material sector as a new empirical setting for examining tariff-related shocks. Despite the importance of this sector in global supply chains, little is known about how President Trump's tariff postponements have affected countries worldwide as a trade-related incentive, particularly through their exposure to the materials sector. Among existing studies, only Wengerek *et al.* (2025) is closely related to this research; however, their analysis focuses on market reactions among US firms, specifically in response to President Trump's tariff impositions on China. Their findings document negative market reactions in the US material sector, whereas the present study differs by examining tariff postponements and adopting a global, cross-country perspective.

2. Literature review

On April 9, 2025, a tariff postponement announcement was issued. This announcement was widely interpreted as a signal of heightened policy uncertainty, particularly given that previously announced tariff increases had already intensified geopolitical risk, especially for countries facing high tariff exposure. Recent evidence shows that US tariff announcements act as major global shocks capable of transmitting financial stress across borders (Akhtaruzzaman *et al.*, 2025). According to Handley and Limão (2015) and Pastor and Veronesi (2012), protectionist trade policies generate policy uncertainty that can adversely affect financial markets. Moreover, geopolitical risk is closely linked to trade policy uncertainty (TPU), thereby amplifying its influence on financial market dynamics (Song *et al.*, 2023). Consistent with this view, the US–China trade conflict and subsequent tariff escalations significantly increased policy uncertainty, resulting in widespread negative stock market reactions (Chen *et al.*, 2023; He *et al.*, 2021). Importantly, policy uncertainty is found to have persistent and adverse long-term effects on market performance (Yang *et al.*, 2022). Frontier markets displayed high volatility and minimal post-event recovery, emphasizing how thin trading

environments and weaker information flows amplify speculative and herd behaviors, consistent with trade policy uncertainty (Arjoon, 2017).

Existing studies further indicate that developing economies tend to be more sensitive to geopolitical and trade-related risks than developed economies (Pandey, 2025; Yousaf et al., 2022). This heightened vulnerability arises because trade tensions often exacerbate inflationary pressures and macroeconomic fragility. Nevertheless, developed financial markets are not immune, especially when they are directly exposed to US trade policy actions. Evidence from Europe shows that Trump's tariff announcements significantly reduced firms' abnormal and cumulative abnormal returns, highlighting strong dependence on US policy decisions (Piserà et al., 2025). Supporting this argument, developed markets, particularly those in G7 countries, also experience heightened instability during periods of negative sentiment and policy shocks (Sulong et al., 2023).

Differences in market responses can also be attributed to information efficiency and structural characteristics. Investors in developed markets benefit from faster access to information, allowing for more efficient decision-making and quicker post-shock recovery (Lee and Khan, 2025; Chiarella et al., 2019). In contrast, markets in developing economies tend to adjust more slowly due to reliance on raw material exports, limited supply chain flexibility and shallower capital markets, which constrain their ability to respond swiftly to trade policy changes (Yücesan, 2025; Boer and Rieth, 2024). These structural rigidities are further amplified by tariff-induced disruptions to global supply chains (Dong and Kouvelis, 2020).

Firm-specific characteristics, particularly firm size, further shape market reactions. Schwert's (1983) theoretical framework on size and stock returns emphasizes that firm size plays a critical role in determining investor outcomes during both normal and crisis periods. Recent evidence suggests that larger firms are more exposed to international trade and therefore more vulnerable to tariff shocks and geopolitical risks (Kamal et al., 2023; Wengerek et al., 2025). In contrast, smaller firms tend to operate more domestically, making them relatively less sensitive to global policy uncertainty (Höhler et al., 2024). However, small-cap firms often experience sharper pre-announcement declines but recover more quickly following policy signals, reflecting high vulnerability combined with operational flexibility (Pandey, 2025; Choi et al., 2025). Large firms benefit from diversified operations and broader access to capital, while medium-sized firms tend to exhibit more moderate responses (Handley and Limão, 2022).

Firm growth also plays a crucial role in shaping investor behavior. Growth prospects are a key determinant of investment decisions (Simlai, 2009). Empirical evidence shows that corporate resilience during periods of heightened uncertainty depends on the interaction between firm growth opportunities and investor confidence, with firms exhibiting low to moderate growth experiencing slower post-shock recovery (Yudaruddin et al., 2024, 2025a).

From an investor perspective, prior studies provide strong evidence that US tariff announcements generate significant stock market reactions, although the direction and magnitude vary across countries and sectors. Wengerek et al. (2025) show that tariff announcements lead to negative cumulative abnormal returns, particularly when China is involved, regardless of whether the tariffs are protective or retaliatory in nature. Consistently, Kaczmarek et al. (2025a, b) document sharp and widespread equity price declines following the US tariff announcements in April 2025, with larger losses concentrated in energy, basic materials and technology sectors and in countries characterized by high trade exposure, trade surpluses and structural vulnerabilities. However, market responses are not uniform; Rao et al. (2025) find asymmetric reactions, where trade-surplus countries experience significant positive CAARs, reflecting investor optimism about potential trade reallocation effects. Using a macro-financial perspective, Chen et al. (2023) demonstrate that trade war shocks affect equity prices through growth expectation and risk premium channels, with firms highly exposed to China's output market suffering more severe losses. Evidence from emerging markets further highlights this heterogeneity as Pandey (2025) shows that although US tariff

announcements trigger short-term volatility and negative reactions in export-oriented sectors in India, cumulative returns remain positive, indicating investor confidence in domestic resilience and trade diversion opportunities.

H1. The US tariff delay announcement leads to positive abnormal returns.

Existing evidence shows that tariff policies generally elicit significant negative market reactions, reflecting heightened policy uncertainty and expectations of higher trade costs (Wengerek *et al*., 2025; Child *et al*., 2021). Empirical studies consistently document sharp declines in equity prices following US tariff announcements, particularly in tariff-sensitive sectors such as energy, basic materials and technology and in countries with high trade exposure and structural vulnerabilities (Kaczmarek *et al*., 2025a, b). Market responses to these external shocks are further shaped by bilateral trade linkages as economies with stronger dependence on US trade tend to experience larger and more persistent equity market disruptions (Rao *et al*., 2025; Czech *et al*., 2023). From a macro-financial perspective, trade war shocks affect asset prices through growth expectation and risk premium channels, whereby elevated uncertainty suppresses valuations and disproportionately harms firms with high exposure to global value chains, particularly those linked to China (Chen *et al*., 2023). Although reactions are heterogeneous across countries and sectors, evidence suggests that greater financial openness and more developed markets can amplify volatility by accelerating the cross-border transmission of trade-related shocks (Buigut, 2025). Consistent with trade policy uncertainty theory, higher tariff exposure intensifies negative market reactions before and around policy announcements by increasing risk premiums and perceived downside risks (Akhtaruzzaman *et al*., 2025; Buigut, 2025; Piserà *et al*., 2025). Therefore, reversing this empirical logic suggests that the postponement or suspension of tariff measures may generate positive market reactions. In particular, countries facing higher US tariffs are likely to experience stronger positive market responses following a tariff delay as investors reassess their expected trade costs and policy uncertainty.

H2. Firms from countries facing higher US tariffs experience more positive cumulative abnormal returns in response to Trump's tariff postponement announcement.

3. Data and methodology

This study investigates how stock markets respond to tariff policy announcements, with a particular focus on deferrals affecting the material sector. To address this objective, we employ an integrated methodology combining the event study approach with cross-sectional regression analysis, allowing us to capture both short-term market reactions and firm- and country-level determinants of abnormal returns. The dataset consists of daily closing prices of major stock indices and constituent material-sector firms collected from The Wall Street Journal (WSJ) and investing.com for the period April 1, 2024, to March 31, 2025. Only firms with complete matches between stock price data and financial reports were retained, resulting in a final sample of 1,174 firms across 47 countries, as shown in Table A1. To ensure data quality, we performed extensive validation by cross-checking firm-level information across multiple reputable financial databases and removed clearly erroneous or inconsistent observations. We also carefully screened the dataset for extreme values and excluded a small number of entries that did not reflect plausible economic behavior. In addition, we assessed the representativeness of the final sample by verifying that it maintains proportional country-level coverage relative to the population of listed materials-sector firms.

The event study methodology follows Fama *et al*. (1969), which is well suited for identifying short-term market adjustments to new information and is widely used in tariff-related research (e.g. Rao *et al*., 2025). The event date is defined as April 9, 2025, when the former US President Donald Trump announced the postponement of new tariff measures. We adopt a 10-day pre- and post-event window to capture both anticipatory trading and immediate

adjustments following the announcement; this length is consistent with prior studies examining geopolitical or trade policy shocks where markets react quickly but not instantaneously. To mitigate information leakage, we excluded 31 days before the event from the estimation period. A 250-day estimation window is applied because longer estimation periods provide more stable market model parameters and are standard in recent trade-policy event studies. To confirm robustness, we also assessed alternative windows of 100 and 150 days.

Based on the works of Rao *et al*. (2025), the market reaction is defined as normal returns, abnormal returns and cumulative abnormal returns as follows:

We start our analysis by estimating the parameters in the following market model for each stock in our sample:

$$R_{i,t} = \widehat{\alpha}_{i,t} + \widehat{\beta}_{i,t} R_{m,t} + \varepsilon_{i,t} \tag{1}$$

where $R_{i,t}$ is the return rate of stock i on the trading day t and $R_{m,t}$ is the market return on day t. The primary stock index in each country is employed as the proxy for the market index. The market model parameters $\widehat{\alpha}$ and $\widehat{\beta}$ are estimated through OLS regression using a 250-day estimation window. Using the estimated parameter from the above equation, we calculate the abnormal return over the event window:

$$AR_{i,t} = R_{i,t} - \left(\widehat{\alpha}_{i,t} + \widehat{\beta}_{i,t} R_{m,t} \right) \tag{2}$$

Lastly, the cumulative abnormal rate of return is calculated as follows:

$$CAR_{i(t_1,t_2)} = \sum_{t=t_1}^{t_2} AR_{i,t} \tag{3}$$

where $AR_{i,t}$ is the daily abnormal returns for firm i on day t. From the estimated $AR_{i,t}$, we calculate the cumulative abnormal return (CAR$_i$) by summing the daily abnormal return of firm i over the period [τ_1, τ_2]. Following Yudaruddin *et al*. (2025b), a t-test was applied to the cross-sectional standardized abnormal returns (SARs) and standardized cumulative abnormal returns (SCARs) for individual and multiple event days, respectively. In addition, following the method proposed by Wilcoxon (1945), we computed the Wilcoxon Z-value (a non-parametric rank test) for the event CARs as a robustness check.

Additionally, we conducted a cross-sectional analysis to examine how the tariff levels imposed by President Trump on each country influenced market reactions in the material sector. Control variables such as firm-specific characteristics and the Index of Economic Freedom for each country were also included, as represented in Eq. (4):

$$CAR_{i,c,t} = \alpha_{i,c,t} + \beta_1 TARIFF_{c,t} + \beta_2 ROA_{i,c,t} + \beta_3 SIZE_{i,c,t} + \beta_4 BTM_{i,c,t}$$
$$+ \beta_5 LEV_{i,c,t} + \beta_5 IEF_{c,t} + \varepsilon_{i,c,t} \tag{4}$$

where CAR$_{i,c,t}$ is the cumulative abnormal return of the company (1) in country (c) for the event window t. TARIFF denotes the percentage of export tariffs imposed on goods entering the USA under President Trump's tariff policy. We also include firm-level control variables: profitability (ROA), measured as net income before taxes divided by total assets; SIZE, the natural logarithm of total assets; BTM, the book-to-market ratio; and LEV, the ratio of total liabilities to total equity. At the country level, we incorporate the Index of Economic Freedom (IEF).

The primary objective of this study is to examine market responses to tariff policy announcements. The analysis proceeds in several stages. First, we assess the overall market

reaction to the announcement of the tariff deferral. Next, we investigate the response of the material sector to a global market, further stratifying the data into developed, emerging and frontier markets. Second, we evaluate market reactions at the industry level. Third, we analyze market responses based on firm size and growth characteristics. Finally, to ensure the robustness of our results, we apply the Wilcoxon signed-rank test, extend the event window to 100 and 150 days and conduct a cross-sectional analysis to examine how differences in imports and exports with the USA affect market reactions as alternative robustness checks.

Each methodological step is designed to directly test the proposed hypotheses. First, the event study analysis evaluates whether the US tariff postponement announcement generates positive abnormal returns across markets, material-sector industries and firm characteristics such as size and growth, thereby testing H1. Second, the cross-sectional regression analysis examines whether differences in tariff exposure explain variations in cumulative abnormal returns following the tariff postponement announcement, providing a direct test of H2 by identifying whether firms from countries facing higher US tariffs experience stronger positive market responses.

4. Result

4.1 Market reactions by market classification

Table 1 shows clear differences in cumulative abnormal returns (CARs) across global, developed, emerging and frontier markets, indicating heterogeneous responses to the tariff postponement announcement in the materials sector. Global markets record significant pre-event declines, such as -0.0145 in the (-10.0) window, but shift to strong positive reactions afterward, including 0.0175 at $(0,+3)$. Developed markets exhibit the most pronounced pattern, with large negative CARs before the event $(-0.0343$ at $(-10, 0))$ followed by the strongest post-event rebound, including 0.0302 at $(0, +3)$ and 0.0424 at $(0, +10)$. Emerging markets show smaller pre-event declines, such as -0.0052 at $(-3, 0)$, yet still experience moderate recoveries after the announcement, for example 0.0146 at $(0, +3)$. In contrast, frontier markets display negative CARs prior to the event $(-0.0164$ at $(-3.0))$ but show little to no recovery afterward, with values hovering near zero or remaining negative, such as -0.0033 at $(0, +10)$. The post-announcement positive CARs observed in global, developed and emerging markets provide strong support for H1, indicating that the US tariff delay announcement leads to positive abnormal returns.

4.2 Market reactions by industry

Table 2 demonstrates that industry-level reactions to the tariff postponement vary substantially across the material sector, indicating heterogeneous sensitivities to trade policy uncertainty. Metals and Mining showed the strongest pattern, with sharply negative pre-event CARs, including -0.0349 in the $(-10, 0)$ window, followed by a robust post-event rebound reaching 0.0315 at $(0, +3)$ and 0.0406 at $(0, +10)$. Chemicals also record significant pre-event declines, such as -0.0093 at $(-1, 0)$, but experience a moderate recovery afterward, including 0.0095 at $(0, +3)$ and 0.0196 at $(0,+10)$. In contrast, Containers and Packaging exhibit relatively mild pre-event movements but display clear positive post-event CARs, such as 0.0116 at $(0,+3)$. Other industries react more neutrally; for example, Construction Materials shows no significant changes across most windows, while Paper and Forest Products display small, mixed responses, with a modest rise to 0.0109 at $(0, +3)$. The positive post-event CARs documented for Metals and Mining, Chemicals and Containers and Packaging provide direct support for H1, indicating that the US tariff delay announcement leads to positive abnormal returns, while other material-sector industries exhibit more muted responses.

Table 1. Cumulative abnormal returns for pre-event, the event day and post-event windows by markets

Sectors	Number of company	Pre-event days			Event days			Post-event days		
		(−10, 0)	(−5, 0)	(−3, 0)	(−1, 0)	(−1, +1)	(0, +1)	(0, +3)	(0, +5)	(0, +10)
Global markets	1,174	−0.0145***	−0.0091***	−0.0078***	−0.0060***	0.0004	0.0054***	0.0175***	0.0174***	0.0251***
Developed markets	317	−0.0343***	−0.0180***	−0.0108***	−0.0012	0.0102***	0.0126***	0.0302***	0.0365***	0.0424***
Emerging markets	748	−0.0056	−0.0046	−0.0052**	−0.0090***	−0.0047**	0.0026	0.0146***	0.0117***	0.0219***
Frontier markets	109	−0.0173**	−0.0135**	−0.0164***	0.0004	0.0073	0.0040	0.00008	0.0013	−0.0033

Note(s): CAR stands for cumulative abnormal return. The ordinate represents the event window. ***, ** and * are significant at 1%, 5% and 10% confidence levels, respectively
Source(s): Authors' own work

Table 2. Cumulative abnormal returns for pre-event, the event day and post-event windows by Industry

Industry	Number of company	Pre-event days (−10, 0)	(−5, 0)	(−3, 0)	Event days (−1, 0)	(−1, +1)	(0, +1)	Post-event days (0, +3)	(0, +5)	(0, +10)
Chemicals	391	−0.0052	−0.0053	−0.0073*	−0.0093***	−0.0078***	−0.0011	0.0095***	0.0054	0.0196***
Construction Materials	136	0.0037	0.0054	0.0021	−0.0087	−0.0093	−0.0101	0.0018	0.0040	−0.0022
Containers and Packaging	105	0-.0018	0.0027	0.0033	−0.0055	0.0011	0.0043	0.0116***	0.0101*	0.0184**
Metals and Mining	459	−0.0349***	−0.0203***	−0.0154***	−0.0044*	0.0082***	0.0159***	0.0315***	0.0361***	0.0406***
Paper and Forest Products	83	0.0084	−0.0036	0.0014	0.0039	0.0110**	0.0061	0.0109*	0.0021	0.0188*

Note(s): CAR stands for cumulative abnormal return. The ordinate represents the event window. ***, ** and * are significant at 1%, 5% and 10% confidence levels, respectively

Source(s): Authors' own work

4.3 Market reactions by size and growth

The results in Table 3 show clear differences in cumulative abnormal returns across firm sizes, demonstrating that market reactions to tariff-related policy uncertainty vary substantially by size. Small-cap firms experience the strongest pre-event declines, with CARs of -0.0371 in the $(-10, 0)$ window and -0.0203 in $(-3, 0)$, followed by a pronounced post-event rebound reaching 0.0265 at $(0, +3)$ and 0.0485 at $(0, +10)$. Mid-cap firms exhibit milder responses, showing no significant pre-event movements but moderate post-event gains such as 0.0142 at $(0, +3)$. Large-cap firms display intermediate behavior, with significant pre-event declines $(-0.0152$ at $(-10, 0))$ and steady post-event increases reaching 0.0264 at $(0, +10)$. The consistently positive CARs observed during the post-event days $(0, +3)$ and $(0, +10)$ across all firm-size groups support H1, indicating that the US tariff delay announcement leads to positive abnormal returns. While all size categories benefit from the announcement, the magnitude of the post-event response varies by firm size, with small-cap firms exhibiting the strongest rebound.

Table 4 reveals substantial heterogeneity in market reactions across growth categories, indicating that firms with different book-to-market characteristics respond differently to policy uncertainty. High-growth firms show the strongest patterns, with significant pre-event declines such as -0.0125 at $(-10, 0)$, followed by the largest post-event increases, including 0.0311 at $(0, +3)$ and 0.0360 at $(0, +10)$. Medium-growth firms also experience significant negative pre-event CARs $(-0.0148$ at $(-10, 0))$ and moderate post-event recoveries. Low-growth firms show smaller pre-event movements but still exhibit clear positive post-event CARs, such as 0.0156 at $(0, +3)$ and 0.0354 at $(0, +10)$. Taken together, the predominance of significantly positive CARs during the post-event days, particularly in the $(0, +3)$ and $(0, +10)$ windows across all growth portfolios, provides further support for H1. These results confirm that the US tariff delay announcement generates positive abnormal returns, with the strongest post-event effects concentrated among high-growth firms.

4.4 Cross-sectional analysis

The cross-sectional regression results in Table 5 indicate that tariff exposure plays a critical role in shaping market reactions surrounding the US tariff postponement announcement. The coefficient of TARIFF is consistently negative and highly significant across pre-event windows, including -0.0007 in $(-10, 0)$, -0.0006 in $(-5, 0)$ and -0.0005 in $(-3, 0)$, suggesting that firms from countries facing higher US tariffs experienced more pronounced declines in cumulative abnormal returns prior to the announcement due to elevated policy uncertainty. Importantly, following the announcement, the effect of tariff exposure reverses over longer post-event horizons. While TARIFF becomes insignificant in short post-event windows, it turns positive and statistically significant in the $(0, +10)$ window, with a coefficient of 0.0005. This finding indicates that firms from countries subject to higher US tariffs experience stronger cumulative abnormal returns after the tariff delay announcement as investors reassess the benefits of policy relief for highly exposed firms. Overall, these results support H2, suggesting that higher tariff exposure is associated with more positive cumulative abnormal returns in response to Trump's tariff postponement announcement, particularly over longer post-event adjustment periods.

Regarding the control variables, SIZE is positive and significant across all pre-event windows, implying that larger firms were less adversely affected by tariff uncertainty during the anticipatory phase. However, SIZE becomes significantly negative in several post-event windows, reflecting a shift in market expectations once the postponement was announced. IEF also exhibited significance in selected windows, being negative in the pre-event period and positive in the $(0, +5)$ and $(0, +10)$ windows, suggesting modest institutional-environment effects.

Table 3. Size-based cumulative abnormal returns for before-event, the event day and post-event windows

| Size-based | Number of company | Pre-event days | | | Event days | | | Post-event days | | |
		(−10, 0)	(−5, 0)	(−3, 0)	(−1, 0)	(−1, +1)	(0, +1)	(0, +3)	(0, +5)	(0, +10)
Small Cap	285	−0.0371***	−0.0247***	−0.0203***	−0.0034	0.0062	0.0123	0.0265***	0.0359***	0.0485***
Mid Cap	595	−0.0032	−0.0005	−0.0023	−0.0068***	−0.0005	0.0029	0.0142***	0.0085***	0.0132***
Large Cap	294	−0.0152***	−0.01120***	−0.006**	−0.0071**	−0.0032	0.0040	0.0154***	0.0175***	0.0264***

Note(s): This table presents the cumulative abnormal return (CAR) of a size-based tercile portfolio formed using the average market value over the estimation period. ***, ** and * are significant at 1%, 5% and 10% confidence levels, respectively

Source(s): Authors' own work

Table 4. Growth-based cumulative abnormal return over the window slides for the before-event, the event day and post-event windows

Growth-based	Number of company	Pre-event days (−10, 0)	(−5, 0)	(−3, 0)	Event days (−1, 0)	(−1, +1)	(0, +1)	Post-event days (0, +3)	(0, +5)	(0, +10)
Low	287	−0.0157**	−0.0077	−0.0001	−0.0001	0.0012	0.0017	0.0156***	0.0243***	0.0354***
Medium	594	−0.0148***	−0.0090***	−0.0097***	−0.0073***	−0.0019	0.0041	0.0117***	0.0069**	0.0147***
High	293	−0.0125**	−0.0107**	−0.0114***	−0.0083***	0.0042	0.0118***	0.0311***	0.0319***	0.0360***

Note(s): This table presents the cumulative abnormal return (CAR) of three book-to-market equity groups based on the breakpoints for the bottom 25% (Low), middle 50% (Medium) and top 25% (High) of the ranked values of the average book-to-market ratio over the estimation period. The ordinate represents the event window. ***, ** and * are significant at 1%, 5% and 10% confidence levels, respectively

Source(s): Authors' own work

Table 5. Cross-sectional regression analysis of cumulative abnormal returns: tariff

Variables	Pre-event days (−10, 0)	(−5, 0)	(−3, 0)	Event days (−1, 0)	(−1, +1)	(0, +1)	Post-event days (0, +3)	(0, +5)	(0, +10)
TARIFF	−0.0007***	−0.0006***	−0.0005***	−0.0004***	−0.0003***	0.00008	0.0001	0.0001	0.0005***
SIZE	0.0033***	0.0030***	0.0036***	0.0014***	0.0001	−0.0016***	−0.0015**	−0.0010	−0.0019
BTM	0.0117***	0.0031	−0.0013	−0.0056	−0.0054	0.0016	0.0049	0.0018	0.0027
ROA	−0.0241	−0.05923	−0.0673**	0.0103	0.0212	0.0273	−0.0060	0.0237	−0.0587
LEV	−0.0002	0.00001	0.00007	9.06e−06	−8.48e−06	0.00005	−0.00005	−0.0001	3.48e−06
IEF	−0.0009**	−0.0005*	−9.40e−06	−0.0001	0.0001	0.00009	0.0003	0.0008***	0.0006*
Constant	0.0558*	0.0253	−0.0168	0.0060	−0.0006	0.0066	−0.0033	−0.0421**	0-.0273
Industry Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R Square	0.0492	0.0437	0.0531	0.0316	0.0366	0.0354	0.0263	0.0292	0.0178
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0030	0.0002	0.0610
Number of obs	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106

Note(s): None of the independent variables in this study exhibited strong correlations. The USA was excluded from the regression analysis. Tariff = the percentage of export tariffs imposed on goods entering the US, based on President Trump's tariff policy. SIZE = logarithm of total assets; BTM = book-to-market ratio; ROA = net income before taxes divided by total assets; LEV = total liabilities to total equity; IEF = Index of Economic Freedom. ***, ** and * indicate significance at the 1%, 5% and 10% confidence levels, respectively

Source(s): Authors' own work

4.5 Robustness tests
In this section, the robustness of the findings is assessed through three complementary strategies: the Wilcoxon signed-rank test, varying estimation windows and an alternative specification of tariff exposure. The Wilcoxon signed-rank test (Table A2) provides evidence of statistically significant negative CARs prior to the announcement and positive CARs after the postponement. To further validate the reliability of the findings, estimation windows of 150 and 100 trading days were employed (Table A3). These alternative specifications produce outcomes consistent with the baseline results, suggesting that the patterns of CARs are not sensitive to the choice of window length. Finally, an alternative measure of tariff exposure constructed from trade balance data is applied (Table A4). The results indicate that firms with higher tariff exposure experience significantly negative cumulative abnormal returns in the pre-event period, reflecting heightened policy uncertainty prior to the announcement. However, following the tariff postponement announcement, these firms exhibit positive and significant abnormal returns during the event and post-event windows, indicating that the delay alleviates uncertainty and generates favorable market responses among highly exposed firms.

5. Discussions
The findings provide strong evidence that the US tariff postponement announcement generated positive abnormal returns across most markets and segments of the materials sector, particularly during the post-event window. This pattern suggests that investors interpreted the tariff delay as a stabilizing signal that reduced trade policy uncertainty and revised expectations of future trade costs. These results contrast with the extensive evidence documenting negative market reactions to tariff imposition announcements under Trump's trade war, which consistently heightened uncertainty and depressed equity valuations (Akhtaruzzaman *et al*., 2025; Kaczmarek *et al*., 2025a).

At the industry level, Metals and Mining exhibited the strongest negative pre-event CARs and the most robust post-event rebounds. This finding highlights the sector's sensitivity to international commodity flows and tariff-induced price expectations, consistent with the trade policy uncertainty framework, which predicts that policy uncertainty distorts investment decisions and elevates risk premiums in highly interconnected industries (Yücesan, 2025; Bown and Irwin, 2019). Chemicals followed a similar pattern due to reliance on cross-border feedstocks and global demand, while domestically oriented industries such as Construction Materials remained relatively stable, indicating insulation from global trade shocks (Alayón *et al*., 2017). Containers and Packaging and Paper and Forest Products showed moderate declines and gradual recoveries, suggesting that diversified export routes partially mitigate exposure to policy uncertainty. Comparing these patterns reveals that sectors with greater international trade dependence respond more sharply to tariff uncertainty, supporting previous evidence on the vulnerability of export-intensive industries (Hayakawa *et al*., 2020; Wengerek *et al*., 2025). The strong post-event rebounds in Metals and Mining imply that tariff postponements can serve as a temporary stabilizing signal, reducing perceived risk and guiding investment strategies in export-dependent industries.

The differential responses across firm size and growth portfolios highlight the importance of firm-level characteristics in shaping market reactions to trade policy uncertainty. Small-cap and high-growth firms experienced the sharpest pre-event declines but also the strongest post-event rebounds, suggesting high vulnerability to uncertainty combined with greater flexibility in adjusting expectations once policy clarity improves. This finding is consistent with Schwert's (1983) size-based risk framework and recent empirical evidence showing that smaller and growth-oriented firms react more strongly to policy shocks due to tighter financial constraints and higher sensitivity to expectations (Choi *et al*., 2025; Lee and Khan, 2025). In contrast, large firms and low-growth firms

display more moderate adjustments, reflecting diversified operations and more stable cash flows. These results are also consistent with prior studies showing that firm size and growth orientation shape market responses to trade policy uncertainty (Yudaruddin *et al*., 2024, 2025a). Overall, the predominance of positive CARs during the post-event period across all size and growth groups confirms that the tariff delay announcement reduced uncertainty at the firm level.

The cross-sectional results further demonstrate that tariff exposure is a key determinant of market reactions surrounding the announcement. Firms from countries facing higher US tariffs experienced significantly more negative abnormal returns prior to the announcement, consistent with trade policy uncertainty theory, which predicts higher risk premiums and lower asset valuations under uncertain policy environments (Fajgelbaum *et al*., 2020; Piserà *et al*., 2025). Crucially, this relationship reverses over longer post-event horizons as higher tariff exposure becomes associated with more positive cumulative abnormal returns following the postponement. This pattern suggests a gradual investor reassessment in which the delay of tariff escalation is interpreted as disproportionately beneficial for highly exposed firms. Unlike prior studies that focus exclusively on tariff escalations and document persistent negative effects (Chen *et al*., 2023; Wengerek *et al*., 2025), this study provides novel evidence that tariff postponements can generate asymmetric positive effects, particularly for firms most vulnerable to trade policy shocks. This delayed positive adjustment reflects the time required for markets to process the implications of policy relief, particularly for highly exposed firms and provides novel evidence that tariff postponement announcements generate asymmetric post-event gains that are not captured in studies focusing solely on tariff impositions.

6. Conclusion

This study investigates how stock markets respond to tariff policy announcements, with particular attention to the April 9, 2025, deferral that directly impacted the material sector. Using an event study methodology combined with cross-sectional regression analysis, we rigorously examine abnormal and cumulative abnormal returns across a sample of 1,174 firms from 47 countries. The results demonstrate heterogeneous market reactions across market classifications, industries, firm characteristics and macroeconomic contexts. Developed markets rebounded quickly due to higher efficiency and liquidity, whereas emerging and frontier markets experienced deeper declines and heightened volatility, reflecting structural weaknesses and trade dependence. At the industry level, Metals and Mining and Chemicals were the most sensitive to trade disruptions, while Construction Materials remained relatively stable due to domestic demand orientation. Firm-level results indicate that size, profitability and growth potential shape resilience, with larger and more profitable firms recovering more robustly. Cross-sectional analysis further confirms that higher tariff exposure intensifies negative market reactions before the announcement but leads to stronger positive cumulative abnormal returns after the tariff postponement, underscoring the time-varying impact of trade policy uncertainty on financial markets.

This study contributes to the literature by examining market reactions to a US tariff postponement, rather than tariff impositions, with a specific focus on the material sector. The results reveal heterogeneous yet predominantly positive post-event abnormal returns across markets, industries, firm sizes, growth categories and levels of tariff exposure, indicating a reversal from negative pre-event reactions. These findings extend trade policy uncertainty and market efficiency perspectives by showing how markets respond favorably to stabilizing signals from delayed protectionist measures.

From a policy perspective, the findings highlight the importance of transparent and predictable trade policies as tariff postponements can reduce policy uncertainty and generate positive market responses, particularly in highly exposed sectors such as materials.

Governments should prioritize clear communication of trade policy intentions to stabilize investor expectations and limit pre-event market disruptions. In addition, facilitating adjustment in trade-exposed industries and supporting smaller firms during periods of heightened uncertainty can enhance market resilience and reduce the adverse effects of future trade policy shocks.

Despite these contributions, several limitations should be acknowledged. Although the analysis employs multiple event windows and a series of robustness checks, the statistical strength of the regression models remains modest. Several models show low explanatory power, indicating limited ability to explain variations in abnormal returns. This limitation does not undermine the qualitative insights but suggests that the identified relationships may be relatively weak or sensitive to model specification, omitted variables or unobserved heterogeneity. Additionally, changes in coefficient signs across event windows point to the need for cautious interpretation as reactions may vary depending on timing, market conditions or firm-specific dynamics. Future research should incorporate alternative modeling strategies or additional control variables to improve the explanatory power.

Finally, the study points to several avenues for future research, specifically related to trade policy uncertainty. Subsequent studies could investigate market reactions to multiple, sequential tariff announcements in different sectors and countries, examine how supply chain disruptions and global trade interdependencies amplify firm-level vulnerability or explore the moderating role of geopolitical risk and country-specific institutional quality in shaping market resilience. Methodologically, employing high-frequency intraday data or multifactor event-study models could provide deeper insights into the timing, magnitude and drivers of abnormal returns during periods of tariff conflict. These extensions would further advance our understanding of financial market behavior under conditions of trade policy uncertainty and international economic tension.

Supplementary material
The supplementary material for this article can be found online.

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