

Treasury Leadership

An Antidote to Market Stress

In collaboration with Citi Services

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Corporate treasury departments have shown their worth during the global market volatility of recent months.

The Trump Administration's major tariff announcements on April 2, 2025 unveiled a broad new tariff strategy, triggering a period of market volatility reminiscent in some ways of the 2020 pandemic. Markets went into a downward spiral, sparking flight-to-safety trades across the globe. Beyond sharp price reactions, earnings growth expectations also plummeted. Markets have since recovered, with the S&P 500 back to February levels.

Our previous study [Treasury Leadership: Does it Matter?](#), written for corporate CFOs and Treasurers, found that "top-performing companies have top-performing treasuries". But did this hold true during the recent bout of market stress?

To find out, we investigated company growth, profitability, and financial health metrics before and after the tariffs were announced. We compared these metrics against treasury performance, as measured in our Citi Treasury Diagnostics (CTD) global company benchmarking survey.

Our conclusion: companies with top-performing treasuries were better shielded from the market impact of the tariff announcements on 2 April and recovered fastest as outsized market volatility diminished. These findings further reinforce the earlier study.

Shahmir Khaliq, Head of Services at Citi, says: "As the financial landscape rapidly evolves, we equip our clients with the strategic foresight and cutting-edge solutions essential for building resilient, high-performing treasuries, that propel their growth and amplify returns."

Key Takeaways

- **Stronger financial health:** High scores in treasury leadership correlate with better earnings growth, free cash flow yield, and net income margin growth.
- **Resilience to market volatility:** Effective treasury leadership helps shield companies from market volatility and enables faster recovery as turbulence subsides.
- **Faster rebound:** Top-performing companies rebound more quickly and robustly than their peers as market stress dissipates.

Top-performing treasuries support corporate growth and returns by:

- Efficiently funding working capital, deploying liquidity and identifying and mitigating risks
- Emphasizing fundamental building blocks to achieve high performance and resilience
- Moving from people-dependency to well-defined processes
- Applying technology to digitize and automate processes
- Developing data strategies to ensure timely and accurate information for better decisions

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Market Impact of Tariff Announcements

Tariff policies tempered expectations for earnings growth. Our global research strategists track the Earnings Revision Index², which showed that at the onset of the tariff announcements revisions to earnings per share (EPS) expectations had dropped to recessionary levels not seen since the Global Financial Crisis (GFC) and the COVID-19 pandemic (figure 1). Global EPS growth was expected to be only +2.5% for 2025 (figure 2), with the U.S. bearing the brunt of the impact, instead of the previously forecast +11% global EPS growth.

Figure 1. Moments of stress: the behavior of the Global Earnings Revisions Index and the MSCI AC World Index during key events, 2007-2025

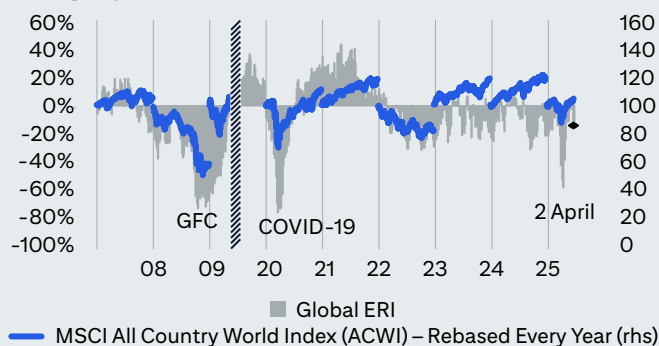
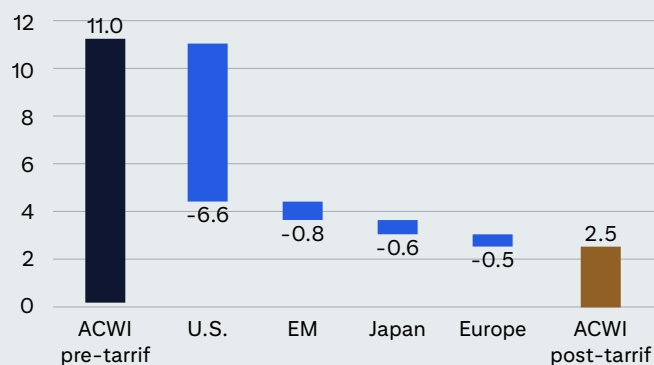


Figure 2. Impact of 2 April tariff announcements on earnings per share growth



Source: Citi Research

Superior Earnings Growth and Financial Health

Using the most recent company-reported financial data³ available before April 2, 2025, we established a baseline for company financial health and expected performance. Earnings growth, free cash flow yield, and net income margin growth serve as proxies to depict a pre-tariff announcement view of company performance.

Figure 3. Earnings growth as a function of treasury performance

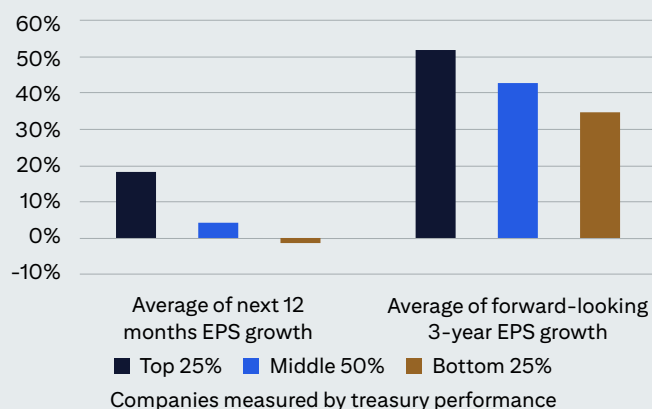
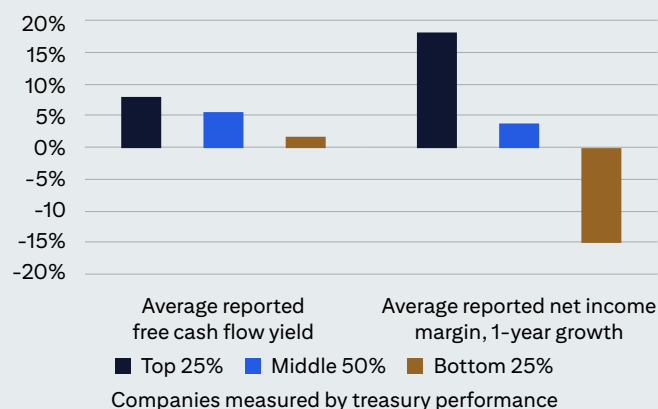


Figure 4. Financial health as a function of treasury performance



Source: FactSet, Citi Global Data Insights, Citi TTS

We found strong correlations between high-performing treasuries and company earnings growth and the financial health measures:

- This was true when we examined earnings growth expectations for the short term (next 12 months) and medium term (three years).
- We looked at two other measures. One was free cash flow yield as an indicator of cash flow management effectiveness⁴. The other was net income margin forward growth as an indicator of how well a company can improve its operations through cost control and better management. Both these measures also supported our thesis that top treasury performance positively correlates with company financial health.

Enhanced Returns and Reduced Volatility in Times of Stress

Figure 5 illustrates that the top 25% of companies, based on treasury performance, achieved the highest annualized market return and the lowest annualized volatility over the five-year period leading up to 2025. In contrast, the bottom 25% in treasury performance exhibited an outsized risk level of 26% per annum.

Figure 5. Return and risk characteristics, 2020-2024

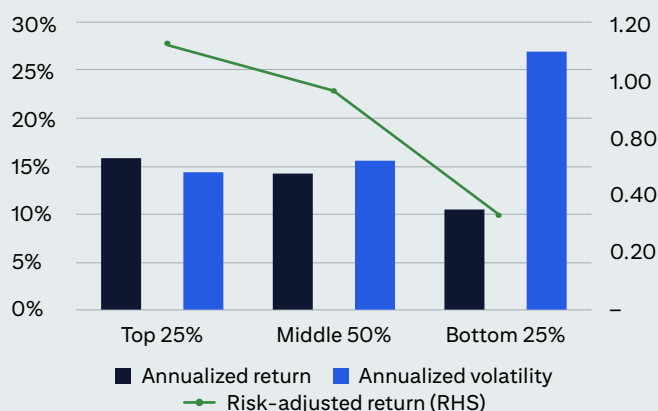
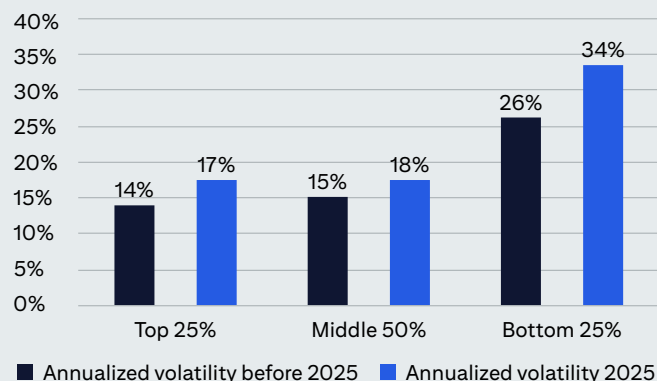


Figure 6. Annualized volatility as a function of treasury performance, before and after tariff triggered market disruption



Source: FactSet, Citi Global Data Insights, Citi TTS

On a risk-adjusted basis, which indicates the return one can expect to gain for each unit of risk taken, the top 25% of treasury leaders achieved more than double the return per unit of risk of the bottom 25% over the period. Examining volatility alone (figure 6), the risk level of the bottom 25% significantly increased this year, in contrast to the moderate increases observed in the other two groups. This demonstrates that effective treasury leadership helps shield companies from market volatility and enables faster recovery as turbulence subsides.

Protection Against Market Routs

We then analyzed price movements from the tariff announcement to the 90-day pause. Unsurprisingly, the investor community views top-performing companies as quality investments when there is a flight to safety. Our data shows that companies with stronger treasury management were better equipped to shield themselves from market turmoil. Following the declaration of the 90-day tariff pause, top-performing companies rebounded more quickly and robustly than their peers. Their 2025 EPS outlook also experienced the smallest downgrades. When a crisis occurs, strong treasury practices help support corporate resilience.

Figure 7. Price movements as a function of treasury performance immediately after 2 April and following the tariff pause

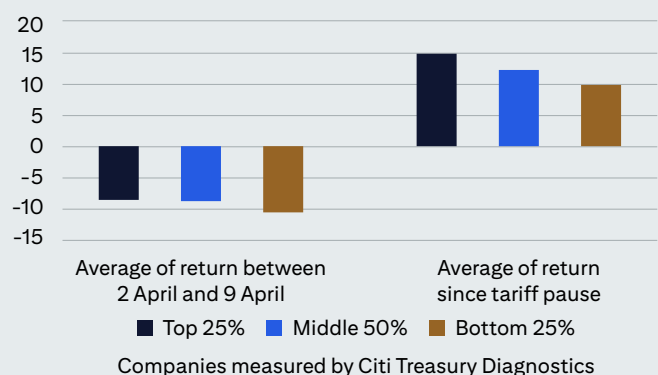
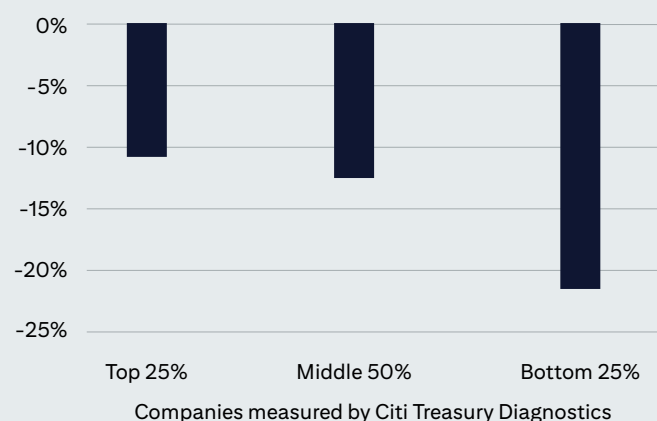


Figure 8. EPS (forward-looking) FY1 % change



Source: FactSet, Citi Global Data Insights, Citi TTS

Conclusion

Our previous analysis demonstrated that “[top-performing companies have top-performing treasuries](#)”. This current analysis further reveals that high-performing treasuries exhibit greater resilience in challenging market conditions. This means that high-performing treasuries can help future-proof a business against unanticipated market volatility.

This strongly reinforces the case for CFOs and Treasurers to invest in their treasury. Modernization and automation initiatives, guided by a clear strategy, enable treasuries to transform the management of cash and financial risks, empowering them to powerfully support corporate growth and enhance returns.

Endnotes

¹ From: [Treasury Leadership: Does it Matter? November 2023](#).

² [European / Global Equity Strategy – Moderating Rhetoric, Stabilizing Markets, Earnings Reset](#).

³ Company Quarterly and Annual Reports, FactSet Data.

⁴ In terms of how much cash it could generate per dollar of market value.

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