



How oil price volatility impacts corporate treasuries

Unlock a strategy to navigate supply chain and financial market risks



Counter uncertainty with resiliency

Oil is more than just a commodity. It impacts economies and their participants in many areas – supply and demand, logistics, financial markets, even inflation expectations.

Recent geopolitical events make what treasurers already know unmistakable. When oil moves sharply, the effects can ripple through the entire organization, whether supply, distribution, logistics or finance.

Corporate treasury is no longer a back-office function. It's the organizational nerve center for resilience, managing market shocks on many fronts – from managing financial risk to ensuring working capital or free cash flow.

A treasury challenge?

Even for corporates that don't purchase crude directly, oil price swings transmit through three primary channels:

- **Supply chain and distribution costs:** Fuel lives in freight, warehousing, last-mile delivery and packaging inputs. Rising oil prices inflate landed costs, compress margins, and force emergency sourcing decisions that may change payment terms overnight.
- **Inflation and demand elasticity:** Oil-driven inflation weakens consumer demand, alters customer buying patterns and increases price sensitivity. Revenue volatility follows, creating challenges with cash flow forecasting and cash timing mismatches.
- **Financial market spillovers:** Oil shocks coincide with wider risk repricing – from currency volatility to impacts on the interest rate landscape through inflation. This is in addition to impacts on credit markets.

The message is clear: oil volatility multiplies uncertainty. The role of treasury is to reduce that uncertainty into a manageable range.

1. The renewed imperative: Defend free cash flow

In volatile energy environments, the first priority becomes protecting free cash flow. That doesn't necessarily mean holding more cash; it means engineering flexibility into cash generation and access.

What proactive cash flow looks like now

- **Shorter forecasting cycles and higher-frequency visibility:** Weekly cash visibility becomes essential when shipping costs, supplier terms or FX rates shift quickly.
- **Scenario-based planning over point forecasts:** A single forecast is a story. Scenarios help devise a strategy. Build oil-linked scenarios and translate them into liquidity needs and covenant headroom.
- **Working capital as a shock absorber:** When volatility hits, organizations tend to hoard inventory while customers delay payments. Treasury should partner with procurement and commercial teams to decide where inventory buffers are critical, where vendor financing is viable and where customer terms require tightening.

The strongest treasuries treat working capital as a portfolio of levers. Receivables, payables and inventory act as the first line of defense during oil-driven volatility.





2. Rethink hedging frameworks for sharper compound shocks

Oil volatility rarely arrives alone. It typically impacts currency markets in the short term and interest rate markets in the medium and longer term. That combination breaks hedging programs designed for calmer markets.

How hedging needs to evolve

- **Dynamic hedge ratios governed by triggers:** Define thresholds like margin-at-risk or cash-at-risk that govern hedge adjustments.
- **Layered structures rather than single-entry hedges:** Staggering hedges across tenors reduces timing risk.
- **Explicit treatment of correlation breakdowns:** Currencies and broader financial markets often move in line with oil prices. But those relationships can weaken, lag or break down entirely – particularly during periods of stress. When that happens, hedges can underperform, creating unexpected P&L swings and cash flow pressure, including margin calls. That's why it's critical to stress test scenarios where correlations fall to zero.
- **Stronger governance and documentation:** Faster-moving markets demand quicker decisions. Clear policy, delegation of authority and pre-approved instruments enable rapid action without compromising auditability.

3. The hidden risk: Liquidity and counterparty dynamics under stress

During periods of market stress, the treasury risk set expands beyond commodity and FX exposures.

- **Margining and collateral calls:** Derivative positions generate cash outflows exactly when operating cash falls under pressure. Liquidity planning must include potential variation margin needs.
- **Supplier distress and concentration risk:** Higher input costs weaken smaller suppliers and increase disruption risk. Help quantify exposure to single points of failure and support contingency planning.

- **Funding cost shifts:** Oil shocks influence inflation and impact credit spreads. Investment-grade corporates face higher all-in funding costs, tighter bank appetite or conservative covenant scrutiny. Resilience means available liquidity.

4. Modern treasury infrastructure: From reactive to intelligence-led

To support agility across these fronts, treasuries need infrastructure that enables speed, confidence and control.

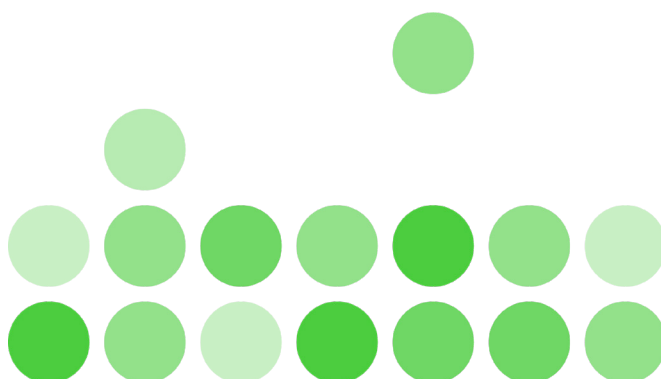
The foundation of a single truth

A resilient treasury requires modern platforms that unify data across ERP systems, TMS, banks and market sources. When oil volatility hits, fragmented data leads to missed hedging windows, inaccurate exposure views and delayed actions.

5. The accelerator of AI as an early-warning system

AI-driven capabilities raise treasury performance by:

- Monitoring exposures continuously across commodity, FX, interest rate and counterparty lines
- Flagging anomalies and emerging risks tied to freight changes
- Suggesting hedging actions aligned to policy to reduce decision latency



Cloud-native scale and resilience

Microservices-based architectures provide scalable processing. Real-time ingestion allows for running stress tests and updating recommendations. Modern infrastructure turns treasury into a proactive capability. It senses, decides and acts faster than the volatility cycle.

Closing perspective

Oil price volatility impacts the entire economy, challenging corporations on many fronts. Managing liquidity and free cash flow is critical, helping organizations pivot as needed. Integration and technology equip organizations with the data they need to support quick, efficient decision-making.

Unlock more



Money at rest. Money in motion. Money at work.™

Our **technology** powers the global economy across the money lifecycle.



**Money
at rest**

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.



**Money
in motion**

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.



**Money
at work**

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.



fisglobal.com/contact-us



linkedin.com/company/fis



x.com/fisglobal

This material is for information purposes only of the intended recipient. We have taken care in the preparation of this information but will not be responsible for any losses or damages including loss of profits, indirect, special or consequential losses arising as a result of any information in this document or reliance on it (other than in respect of fraud or death or personal injury caused by negligence). Terms and conditions apply to all our services. The content of this material may not be reproduced without prior consent of FIS.

© 2025 FIS. FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries. Other parties' marks are the property of their respective owners.



**Advancing the way the world
pays, banks and invests™**