

Rapid Response on tariff ruling

Implications of the U.S. Supreme Court ruling on tariffs

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By &Partners Investment Team

Summary of the ruling

The U.S. Supreme Court (6–3) held that the administration exceeded its authority by imposing sweeping global tariffs under the International Emergency Economic Powers Act (IEEPA). The Court ruled that IEEPA does not provide legal justification for broad trade tariffs and emphasized that tariffs are effectively taxes — an authority that constitutionally belongs to Congress, not the president.

The decision invalidates a major legal foundation for the tariff program and represents a significant constraint on the use of emergency powers for trade policy.

Immediate market reaction was muted:

- Global equities rose modestly (S&P 500 about +0.3%)
- Treasury yields ticked slightly higher; the U.S. Treasury curve steepened slightly in an initial reaction; the dollar eased marginally
- Gains were concentrated in import-dependent sectors that benefit from lower input costs.

Our view

While the Supreme Court's decision is legally significant and may shape the long-term balance of trade authority, the near-term macroeconomic and equity market impact is modest. Initial moves appear to reflect a short-lived relief rally rather than a fundamental shift, for three main reasons:

1. Policy continuity expectation

The ruling removes one legal mechanism, but tariffs could be reimposed under alternative authorities (e.g., Section 232 or 301), meaning the underlying trade stance may not materially change. However, these alternatives have more procedural hurdles and stricter limits. The affordability focus of the upcoming midterm election might also restrain the government from taking immediate action on new tariff implementations.

2. Implementation lag and uncertainty

Policy issues (such as potential refunds, legal follow-on actions, and replacement measures) create gradual, not immediate, economic effects.

3. Major economic effects are uncertain and depend on developments after the Court ruling, for example:

- The question of whether the U.S. Treasury must refund tariffs that have already been paid will have significant implications for the U.S. dollar, interest rates, and federal budget dynamics.

- Many trade agreements between the U.S. and trading partners were negotiated on the basis of IEEPA tariffs. Whether these will be renegotiated or stay in place under current conditions will likely determine economic effects.

If tariffs are removed and not reinstated through other means, this may have a positive impact on inflation and U.S. consumers, which is a critical driver of the economy and the direction of interest rates.

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