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Special Coverage: Our thoughts on the US Supreme Court ruling and market implications

Key takeaways

- The US Supreme Court ruled 6–3 that President Trump couldn't use the International Emergency Economic Powers Act (IEEPA) of 1977, but the administration will continue tariff policy under alternative statutory powers.
- Using section 122, a new 10% global tariff was announced on Friday but already changed to 15% on Saturday. This comes on top of existing measures and will remain in place for up to 150 days.
- The financial market reaction was muted but constructive so far, particularly in import-reliant sectors such as retail, consumer discretionary, autos, and select industrials, reflecting lower near-term cost pressures and reduced legal uncertainty. For fixed income and FX, the effects are more nuanced. Lower effective import taxes may ease goods inflation at the margin over time, providing modest support for bonds, while reduced trade tension offers limited near-term support to risk sentiment. USD could be slightly weaker on positive global sentiment.

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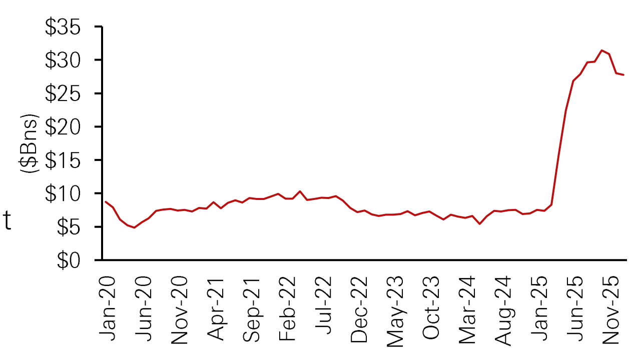
What happened?

- The US Supreme Court ruled 6–3 that President Trump couldn't use the International Emergency Economic Powers Act (IEEPA) of 1977 to impose broad, open-ended tariffs. IEEPA was designed to allow presidents to regulate financial and economic transactions during a declared national emergency. The Court held that while IEEPA grants significant emergency powers, it doesn't clearly authorise sweeping tariffs of "unlimited amount, duration, and scope." Such authority, the Court said, requires explicit congressional delegation.
- As a result, the broad "emergency" and "reciprocal" tariffs imposed under IEEPA are invalid. These measures covered a wide range of imports and included country-specific and fentanyl-linked levies. Importantly, the decision applies only to tariffs justified under IEEPA. It doesn't eliminate tariff authority granted under other trade statutes.

Monthly customs duty revenue in billions of 2025 dollars



Source: Yale University, HSBC Private Bank and Premier Wealth as at 20 February 2026.

- The practical impact will depend on whether the ruling is stayed pending appeal and how quickly US Customs updates tariff schedules. Markets respond immediately to legal clarity, but administrative adjustments and refund processes may unfold more gradually.
- Estimates prior to the ruling ranged from tens to over USD100 billion in tariff revenue that could potentially be subject to refund claims. In practice, eligibility may be limited to firms that challenged the tariffs in court, and any payments would depend on final judgments and Treasury guidance. Even at the higher end of estimates, potential refunds would be modest relative to the overall US fiscal position and take a lot of time to materialise.

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- Economically, removing IEEPA-based tariffs modestly lowers effective import tax rates until the administration manages to fully replace its income through other tariff measures. A reduced effective tariff rate could ease goods inflation at the margin and reduce input costs for certain industries. The decision therefore reduces one source of policy uncertainty but doesn't eliminate trade-policy risk altogether.
- The ruling also reinforces the Court's broader "major questions" doctrine, signalling heightened judicial scrutiny of expansive executive economic authority when Congress hasn't clearly defined its scope. Future attempts to use emergency statutes for large-scale trade policy changes are therefore likely to face a higher legal bar.
- The administration announced several immediate actions. First, the President signed an executive order implementing a 10% global tariff on imports from all countries, later boosting this to 15%. This measure will be layered on top of existing tariffs and is expected to remain in effect for approximately five months, consistent with the 150-day statutory limit under Section 122 of the Trade Act of 1974. While described as a universal tariff, the possibility of product- or country-specific exemptions was left open, with details to follow.
- Second, the President confirmed that all product-level national security tariffs under Section 232 of the Trade Expansion Act of 1962 remain fully in force. This includes tariffs on steel, aluminium, and other products previously determined to implicate national security considerations.
- Third, existing tariffs under country-level Section 301 of the Trade Act of 1974, including China-specific measures, remain unchanged. In addition, the administration announced plans to initiate new Section 301 investigations into alleged unfair trade practices, potentially leading to further targeted tariffs. Trade negotiations, including with India, were described as unaffected by the ruling.
- As Section 122 authority is time-limited to 150 days, there are three options thereafter: transition into expanded Section 232 (product level) or 301 (country level) actions, or congressional involvement to extend the Section 122 measure before expiration. In summary, the legal framework has shifted, but tariffs remain a central component of US trade policy.
- While IEEPA-based tariffs have been struck down, the president retains several tariff authorities granted by Congress under longstanding trade laws. These authorities are more structured and procedurally bounded.

Investment implications

- Markets initially responded positively, but the moves were small as the news was largely expected. Import-reliant sectors such as retail, consumer discretionary, autos, and certain industrial firms stand to benefit from lower effective input costs and improved margin visibility. Domestic producers that benefitted from broad tariff protection, such as steel and aluminium companies, could face relative pressure if narrower tariff structures replace the prior regime.
- Over the medium term, equity performance is likely to reflect sector dispersion rather than broad index impact. Much will depend on how aggressively tariffs are rebuilt under remaining authorities and whether Congress acts. Policy uncertainty remains elevated, and markets are likely to react to incremental adjustments under Sections 232 or 301.
- We remain constructive on US equities. The combination of resilient growth, solid corporate earnings, and continued innovation supports our view. While trade-policy volatility may generate episodic market swings, we see it as a source of tactical opportunity rather than a reason to reduce strategic exposure. We continue to favour large-cap, high-quality companies with pricing power and global diversification, while remaining selective in sectors more directly exposed to potential tariff restructuring.
- For fixed income investors, Treasury yields moved modestly higher on better risk sentiment and due to the potential for higher short-term budget deficits. Over time, reduced tariff pressure may modestly ease goods inflation, which is generally positive for bonds. However, potential tariff refunds are small in the context of the overall US deficit and are unlikely to materially alter long-term yield dynamics.
- The dollar's response is nuanced. Reduced immediate trade tension may support global risk sentiment in the near term and lift other currencies.

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