

## Tariffs Back in Focus: Policy and Market Implications

A Supreme Court ruling has reshaped the tariff landscape as markets weigh the decision amid a complex policy and market backdrop.

Trade policy has moved back into focus amid fresh court rulings and updated tariff guidance. Although tariffs remain a key policy lever, investors appear to be weighing these developments alongside several competing macro and geopolitical forces. Recent activity offers insight into how markets are digesting tariffs within a broader global context.

### What's the Latest With Tariffs?

- The Supreme Court struck down the administration's use of the International Emergency Economic Powers Act to implement tariffs—a blow to one of the administration's key goals.
- But tariffs aren't going away. President Donald Trump said he would impose tariffs of up to 15% for 150 days on countries with persistent trade imbalances with the US. The move is permissible under different legal authorities, and additional country or sector tariffs may still be enacted. This would bring the effective tariff rate to roughly 14%, down from about 16%.
- **Market response?** On the day of the Supreme Court decision, US equities were up slightly, international and emerging-market (EM) equities moved higher, rates rose modestly, the US dollar declined, and gold moved higher.

### Market and Economic Impact

- The US market was almost unmoved by the tariff decision because it was widely expected. Markets have largely "been there, done that," having seen tariff headlines before that often include carve-outs, exceptions, and adaptation.
- Plus, tariffs have been drowned out by other news: possible AI spillover following the recent software sell-off, questions surrounding private credit, the possibility of a US strike on Iran, and more.
- **Economic implications?** On the plus side, the tariff announcement comes as a modest relief for consumers and small businesses. On the downside, this may increase the US deficit and elevate uncertainty.

### Investor Considerations Going Forward

- The tariff news could boost big importers and goods producers. It's a win for consumer discretionary (e.g., apparel, footwear), and supports the rotation into value and cyclical.
- I'm optimistic on EMs, especially in China and Southeast Asia, because in this region, a 15% tariff rate represents a reduction.
- **The bottom line?** Markets are exhibiting a rational response to rapid-fire events, but the situation is evolving. Tariffs are one of several stories unfolding, alongside developments in AI, credit, and rates that may carry greater market significance.

### Insight from sub-adviser Wellington Management



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### Key Points

- A Supreme Court ruling curtailed the Trump administration's use of emergency powers for tariffs, though other legal avenues keep trade policy in flux.
- Markets took the decision largely in stride, as the ruling was widely anticipated and tariffs competed with other market-moving developments.
- For investors, tariffs remain one of several moving pieces, reinforcing the need to assess trade policy within a broader market context.

**To learn more about the potential impacts of tariffs on your portfolio, please talk to your financial professional.**

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