

SCOTUS TARIFF DECISION MAY LIFT RISK ASSETS

February 2026

KEY TAKEAWAYS

- The Supreme Court invalidated tariffs under IEEPA but this is not a reset of U.S. trade policy. The Trump administration is imposing global tariffs of 10% with the aim of increasing them to 15%, under non-IEEPA authorities.
- With tariffs being partially reinstated, we would expect a modest boost to growth and a small reduction in inflation.
- We believe that the lower tariff rate would act as a stimulus and be positive for risk assets, creating upside for equities.

What Was the Ruling?

The Supreme Court of the United States (SCOTUS) announced in a 6-3 ruling that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) exceeded the powers of the president. This includes the ‘reciprocal’ tariffs and ‘fentanyl’ tariffs on China, Mexico, and Canada. The decision, issued on February 20, 2026, was widely anticipated.

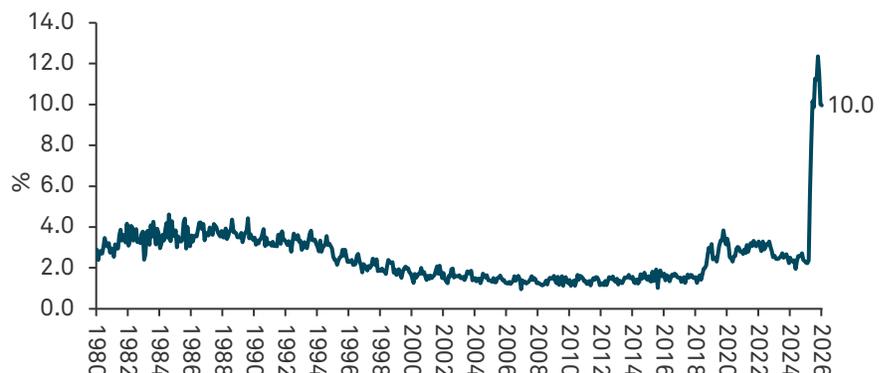
This ruling will not make tariffs disappear entirely. Tariffs imposed under different authorities other than IEEPA will remain in force. The Trump administration is currently pursuing alternative tariff authorities, starting with Section 122 of the Trade Act of 1974, which allows the president to impose tariffs of up to 15% for 150 days to address serious U.S. trade imbalances. At present, 10% global tariffs are in effect, and the White House has stated an aim of increasing them to 15%.

What Is the Impact on Growth and Inflation?

Under the previous tariff regime, before the Supreme Court struck them down, we estimated an implied overall tariff rate of roughly 15%. In practice, however, tariffs have not been fully passed through and actual duties paid have been closer to 10% due to exemptions, shifts in trade flows, and tariff avoidance.

Live Effective Tariff Rate on Goods Imports

Live proxy based duty receipts



Source: BNY Investment Strategy & Research Group, Macrobond, data as of 2/20/26

Excluding the newly imposed 10% tariff, the SCOTUS ruling alone would reduce headline tariff rates by roughly 6-7 percentage points and effective rates by about 4-5 percentage points. With tariffs partially reinstated, we would expect a modest boost to growth and a small reduction in inflation, by about 0.1-0.2 percentage points each. Increasing the reinstatement to 15% is estimated to lower overall tariff rates marginally below what was previously announced, suggesting minimal impact to growth or inflation.

It remains unclear whether customs duties collected to date under IEEPA would need to be refunded. If refunds were required, this could provide an additional, one-off boost to growth through cash returned to businesses. However, any refund process would likely be complex and resource-intensive, taking several months or longer.

We do not expect these developments to materially alter the near-term path of Fed policy. While lower tariffs could modestly ease price pressures in the short run, they may also support a stronger recovery in economic activity and the labor market. Balancing these effects across plausible macro scenarios, we continue to see policy rates falling to 3.00% to 3.25% by the end of 2026.

What Are Asset Class Implications?

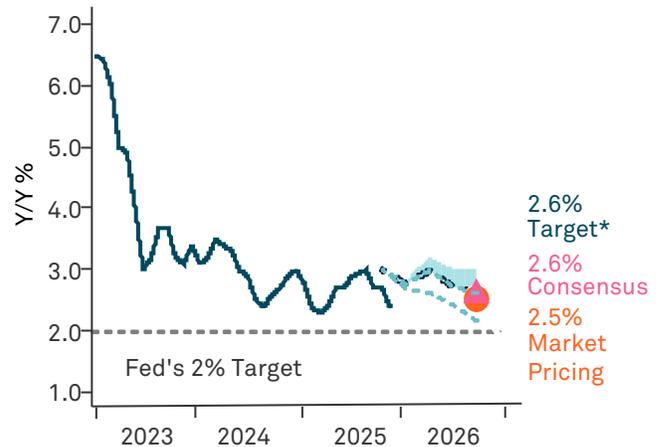
We believe that the lower tariff rate would act as a stimulus and be positive for risk assets, creating upside for equities. Lifting country-specific tariffs could ease pressure for certain trading partners, notably in emerging markets, and specifically, China and India. If the Trump administration pursues tariffs above 15% through alternative means, these actions would prompt a preliminary investigation and potentially delay implementation. This then creates an opportunity for trade to be front-loaded in select regions.

The ruling also implies reduced government funding, putting upward pressure on yields and increasing the likelihood of a steeper U.S. yield curve. In the absence of roughly \$134 billion in tariff revenue collected under IEEPA¹, about one-third of the estimated annual cost of the One Big Beautiful Bill Act would need to be financed through additional borrowing. Demand for 10-year Treasuries has already been weak over the last year, hovering just below the 25th percentile since 2008.

We will continue to monitor developments closely and provide updates as circumstances unfold. For more views, visit our [Insights](#) page.

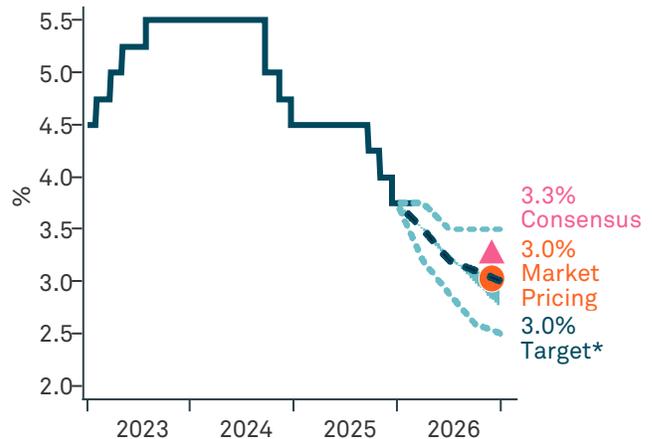
¹ U.S. Customs and Border Protection, as of 12/14/25

U.S. Inflation



Source: BNY Investment Strategy & Research Group, Macrobond, data as of 2/20/26. *Target is the expected outcome based on the average of three scenarios weighted by how likely they are to occur.

Federal Fund Rates



Source: BNY Investment Strategy & Research Group, Macrobond, data as of 2/20/26. *Target is the expected outcome based on the average of three scenarios weighted by how likely they are to occur.

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