



CIO believes yields on quality bonds in most major markets are attractive, and they anticipate the continuing global rate-cutting cycle will contribute to investor inflows. (UBS)

Volatility likely as headlines on both trade tariffs and fiscal policy emerge

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The US Court of International Trade on Wednesday issued a unanimous decision that requires an immediate injunction against all tariffs levied under the International Emergency Economic Powers Act (IEEPA) of 1977. It ruled that the legal basis does not give Trump the power to unilaterally implement the levies.

This means that the initial “trafficking” tariffs on China, Canada, and Mexico, the worldwide 10% baseline tariffs, and the additional “reciprocal” tariffs on countries running goods trade surpluses with the US could end in the next 10 days unless the White House wins on appeal or is awarded an “emergency stay,” which pauses the enforcement of the ruling. The Trump administration has immediately filed a notice of appeal.

Tariffs on autos, auto parts, steel, and aluminum, however, remain in effect as they were not a subject of the legal challenge. These levies were applied under Section 232 of the Trade Expansion Act of 1962, which allows the US government to restrict imports if the goods are found to threaten national security.

What do we think?

The ruling presents a roadblock to the administration and will constrain Trump’s use of tariffs unless the administration wins an appeal. But even if higher courts uphold the injunction, tariffs are unlikely to disappear completely.

Tariffs appear to remain an important focus for the US administration, and as we have noted previously, the Trump administration has been laying the groundwork for product specific tariffs following Section 232 trade investigations into strategic industries, including pharmaceuticals, critical minerals, lumber, copper, and semiconductors.

These tariffs are likely to be more durable with fewer carve-outs and exemptions, given that they're focused on strategic sectors. In light of the fact that they also have a sturdier legal basis (tariffs levied under Section 232 are grounded in Commerce Department investigations), they could become much more important to the administration's trade strategy, following the court decision.

The Trump administration could also use other sections of the Trade Act of 1974 to rebuild some of its tariff agenda. For example, Sections 201 and 301 could be used to levy import duties or implement quotas, although they are limited to specific products or industries and require lengthy investigations. Section 122 of the Trade Act of 1974 also gives the president authority to address bilateral trade deficits with tariffs, albeit the levy is capped at 15% and can only be applied for 150 days without an act of Congress.

Overall, we believe the court's decision makes the imposition of tariffs more complex and may harm Washington's negotiating position in trade talks, but the Trump administration is still able to impose significant and wide-ranging tariffs over the longer-term through other means.

We expect further market volatility ahead as headlines on both trade and fiscal policy emerge in the weeks and months ahead. We still expect US equities to rise over the next 12 months, but near-term gains this year are likely to be more limited. We believe the S&P 500 will end the year at 6,000, and reach 6,400 by June of next year.

Original report: [Stocks lifted by court ruling against Trump tariffs, 29 May 2025.](#)

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