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# Tariffs are dead, long live tariffs

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**The US Supreme Court's decision restricts the president's room for maneuver on trade policy and is likely to reduce the risk of abruptly imposed, broad-based tariffs. The initial market reaction was positive, but a fundamental departure from US protectionism appears unlikely. Nevertheless, in our view, the decision will have positive effects on markets, especially for equities in Asia and Europe.**

The Supreme Court's recent decision on US trade policy marks a significant turning point in the handling of presidential powers. With its ruling, the Court clarified that the International Emergency Economic Powers Act (IEEPA) does not provide sufficient legal grounds for the president to impose far-reaching tariffs.

The initial market reaction was positive; equity markets rose slightly, with consumer-related sectors benefiting in particular. At the same time, yields on long-term US Treasuries increased slightly and the US dollar depreciated marginally, which can be interpreted as a sign of higher long-term fiscal risks.

Substantively, however, the ruling does not necessarily mean a fundamental departure from protectionist US trade policy. The US administration has already indicated that it will reimpose tariffs using alternative, more narrowly defined legal instruments. According to estimates, the removal of IEEPA tariffs would lower the average US tariff rate, but a subsequent reintroduction—such as through Section 122 of the Trade Act—would likely bring it back to nearly its previous level. Therefore, in our view, the effective decline in tariff levels is likely to remain limited.

In the short term, however, we still see positive impulses for the US economy, especially if refunds of tariffs already paid are issued. Similar to a fiscal stimulus, this could support the private sector. Companies that filed lawsuits early—such as importers in retail or consumer goods—would likely be particularly well positioned.

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It also remains unclear how the decision will affect existing trade agreements, including the memorandum of understanding between Switzerland and the US. Although this ruling removes an important legal basis, it is conceivable that negotiations will continue for political reasons.

Our conclusions? We would highlight three points:

First, one of the most important insights from the decision is that institutional checks and balances in the US are functioning. This should also reduce the risk of abruptly imposed, broad-based tariffs. For equity markets and consumer-oriented sectors, this is fundamentally positive and, in this sense, the decision strengthens our constructive view on equity investments, which are currently also benefiting from expansionary monetary and fiscal policy and robust earnings growth.

Second, trade policy uncertainty is likely to persist, as alternative tariff instruments remain available and may be used selectively. Over the past year, the global economy has suffered not only from the tariffs themselves but also from ongoing uncertainty regarding their timing, scope, and the goods and countries affected. A similar back-and-forth—should it occur—could, in our view, again lead to negative market sentiment. It should also be noted that the decision could negatively affect the US fiscal balance and increase the risks of further US dollar weakness.

Third, against this backdrop, it should continue to be worthwhile for investors to invest in equities and to increasingly seek opportunities in European and Asian equity markets. And to mitigate the impact of a possible renewed escalation in the trade dispute, we believe it is more attractive to invest in gold, hedge funds, and/or high-quality bonds rather than holding a large cash allocation. The latter comes with high opportunity costs in the current low interest rate environment, especially in Switzerland. In addition, the targeted use of structured strategies can also be worthwhile to specifically reduce risks.

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