(UBS)

Tariff trade policy back in focus

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US President Donald Trump unveiled 50% tariffs on a wide range of imports from Canada on Monday, bringing his trade policy back into focus as the administration seeks to build a more durable tariff wall to replace the International Emergency Economic Powers Act (IEEPA) tariffs that the Supreme Court struck down in February.

Invoking Section 338 of the Tariff Act of 1930 for the first time in nearly a century, Trump claimed discriminatory treatment of US-made cars, alcohol, and dairy goods. The new tariffs on Canada are set to take effect in 30 days, and would apply to dairy products, furniture, fishing rods, seeds, clothing, and wigs, among other items.

The combination of a later effective date and legal uncertainty reduces the probability that the Section 338 tariffs will come into force or prove long-lasting, in our view. The tariffs may also be a move to gain leverage in the review of the US-Canada-Mexico trade pact.

But other tariffs that seek to establish more durable rationales are likely forthcoming, as the 10% baseline tariffs imposed immediately after the Supreme Court decision (under Section 122 of the Trade Act of 1974) as a temporary measure are set to expire on 24 July. Since February, the US Trade Representative's (USTR) office has opened multiple investigations under Section 301 of the Trade Act of 1974 to address "unfair and discriminatory" trade practices, and a new 25% tariff under Section 301 on certain Brazilian goods comes into effect this week.

Here, we discuss what tariffs are likely on the way, their impact on inflation, and the implications for investors.

What tariffs could come next? We expect the Trump administration to announce a new round of tariffs between 10% and 12.5% under Section 301 on 60 countries and regions based on the determination that US commerce is unfairly burdened when trading partners import goods made with forced labor. Despite targeting just 60 countries and regions, the tariffs are effectively a universal baseline tariff as these markets account for 99% of US imports.

A second set of tariffs under Section 301 on 16 of the largest US trading partners could come later this year, focusing on excess manufacturing capacity, and they would apply to two-thirds of US imports. Tariff rates have not been pre announced as the investigation is ongoing, but they could vary widely depending on the USTR's estimate of how harmful each country's excess manufacturing capacity is to the US. Announced tariff rates, if any, on China would have to consider the very real threat of retaliation through export controls on critical minerals, while others may be used as leverage to negotiate additional agreements and concessions.

How high could tariffs go? Elevated inflation and persistent affordability concerns are likely to constrain how aggressively the Trump administration can raise trade barriers without adding further pressure on household budgets. This means that, while the US effective tariff rate could rise as new tariffs are announced or existing tariffs are increased, our view is that the US effective tariff rate will remain in a 10-15% range this year, not far above the current level of around 10.4%.

What does it mean for inflation? Given our expectation that the US effective tariff rate is likely to remain relatively stable, we see limited impact on inflation. Recent data suggest that much of the tariff-related inflation impulse has already passed through to goods prices, and core goods PCE inflation has slowed significantly over the past three months. We therefore expect the earlier boost to goods inflation to continue to fade for the remainder of the year, allowing for further core disinflation.

So while upcoming policy announcements could generate periodic volatility, we do not expect a significant increase in the effective US tariff rate, and we see limited overall market impact in our base case. Earnings growth remains the key driver of global equities, while bond yields should gradually retreat as inflation pressures ease. Nevertheless, portfolio diversification remains essential as individual companies or sectors may be disproportionately affected by tariff policies.

For more, read the latest *Global risk radar: Rebuilding the tariff wall*.

Original report: **Trump's tariff push returns, 21 July 2026.**

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