

## US SUPREME COURT STRIKES DOWN TARIFFS

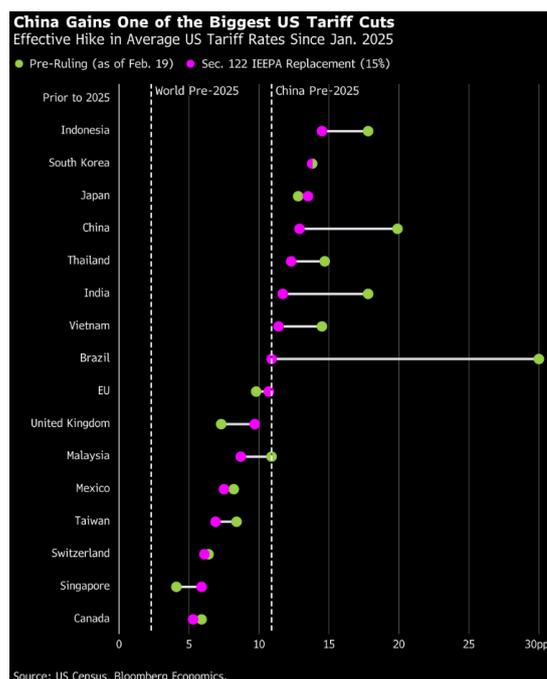
On Friday, February 20<sup>th</sup>, 2026, the Supreme Court of the United States (SCOTUS) ruled that President Donald Trump's use of emergency powers to impose tariffs was illegal. As a result, all tariffs announced on April 2<sup>nd</sup>, 2025 - "Liberation Day" - were lifted, creating significant uncertainty for US businesses and trading partners alike. In response to the ruling, the Trump administration invoked its authority under Section 122 of the Trade Act of 1974, first imposing a new 10% levy on all goods entering the United States before raising it to 15%, the maximum rate allowed under a previously unused trade provision. The 15% tariff - described on Truth Social as a "Worldwide Tariff on Countries" - effectively replaces all levies that had been enacted under the International Emergency Economic Powers Act (IEEPA) and subsequently struck down by SCOTUS. These new tariffs are set to take effect on Monday, February 23<sup>rd</sup>, for 150 days.

According to Politifact, the global weighted-average tariff on US imports prior to the SCOTUS ruling - i.e., with IEEPA tariffs in place - was 16.9%. Yale University's Budget Lab estimates that after the ruling, the effective rate falls to the low teens, compared with 9.1% absent IEEPA-based tariffs.

In its communication, the White House specifies that some goods will not be subject to this temporary duty, including certain critical minerals and metals used in energy products, pharmaceuticals, and passenger vehicles. The press release also emphasizes that the US is experiencing a worsening balance-of-payments problem driven by heavy reliance on imports, widening deficits across all components of the current account and a record-high goods trade deficit. In response, President Trump argues that tariffs will remain essential for reshoring production, strengthening US industry, and securing more favorable trade terms. Despite the SCOTUS decision limiting his tariff authority, he maintains that the broader strategy of using tariffs and negotiated agreements to rebalance trade and protect US interests will continue.

Not all tariffs in place as of Friday, February 20<sup>th</sup>, were established under IEEPA, however. Tariffs on products such as steel, aluminum, automobiles, and semiconductor components were imposed under different trade legislation and therefore remain in force. Economies such as France, Germany, and Japan - which depend heavily on these exports - are more exposed to non-IEEPA tariffs than broader

goods exporters in Southeast Asia, whose tariff regimes fall mainly under IEEPA. Many countries will receive an effective reduction in their overall tariff burden under the new 15% uniform rate, as some exporters previously faced rates in the 18–20% range. China is among the biggest beneficiaries: after months of negotiations, it had been subject to a 34% US import tax. Conversely, the new 15% tariff eliminates the UK's preferential 10% deal.



We believe this development will initially be perceived negatively for risky assets and expect a marginally risk-off reaction from investors as attention will shift back to tariffs headlines. Equity markets are likely to open lower on Monday, and safe-haven assets such as the Swiss franc and Swiss government bonds should strengthen. Although the event is likely to generate volatility, the fact that the weighted-average tariff on US imports is, in essence, lower is positive for US inflation dynamics. Some sectors appear to see no change in their tariff treatment, which suggests that any market dip could present buying opportunities.

The US collected over USD 130bn in IEEPA-related tariff revenue over the past year, and a portion of this could now be subject to reimbursement, complex as the process may be. This would exert upward pressure on US yields as well. Reimbursing corporations is likely to be easier than reimbursing end-consumers.

Sources: Bloomberg, FT

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## GENERAL CONTACT

REYL & Cie Ltd  
Rue du Rhône 4  
1204 Geneva  
Switzerland  
Tel. +41 22 816 80 00  
Fax +41 22 816 80 01  
[contact@reyl.com](mailto:contact@reyl.com)  
[www.reyl.com](http://www.reyl.com)