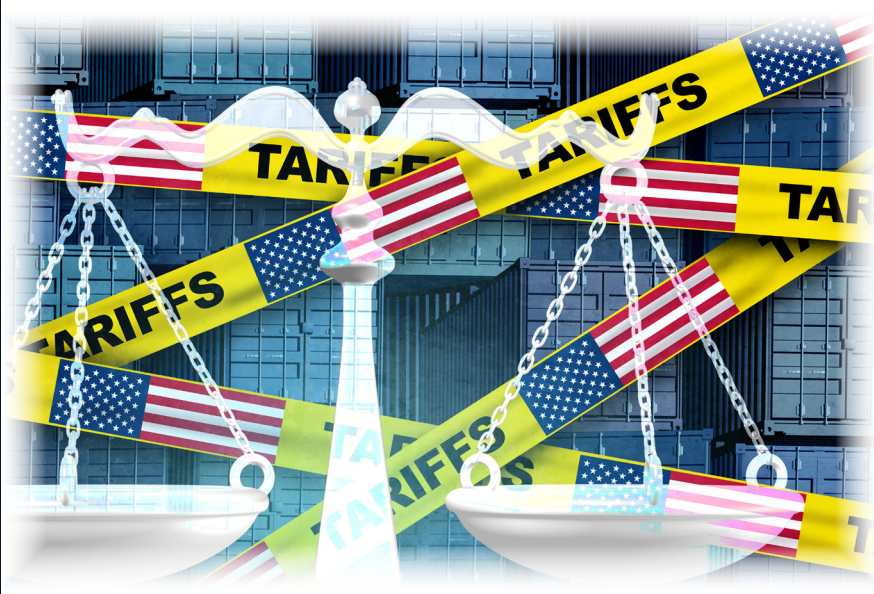


THE SUPREME COURT STRIKES DOWN TRUMP TARIFFS

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As SIM expected, the Supreme Court (in a 6-3 decision) on Friday, February 20th, struck down as unconstitutional the tariffs that the Trump Administration had imposed in April of last year. As SIM had believed, the Supreme Court said that the taxing authority of the federal government lies with the legislature (i.e., Congress). Left undecided was what to do about the roughly \$130 billion in tariff revenues already received, yet trade lawyers have said that hundreds of companies have already filed lawsuits in order to increase chances of getting some of the funds back.

Is this the end of the tariff tussle? Likely not. Other smaller tariffs that President Trump has enacted under other laws remain in force. (The Supreme Court case dealt with tariffs enacted under the International Emergency Economic Powers Act.) While the President Trump could simply ask Congress to give him statutory tariff authority, given the current mood in Congress as well as the Republican's slim House majority, that likelihood seems quite small. Additionally, President Trump announced new 10% global tariffs by Friday afternoon (later increased to 15%). These tariffs, issued under a different authority (issued under Section 122) that can only last 150 days.

The administration has said that the new tariffs initiated under Section 122 as well as existing tariffs implemented under Sections 232 and 301, "will result in virtually unchanged tariff

revenue in 2026.” Section 232 tariffs, for example, gives the president broad powers to put tariffs in place based on national security risks.

Impact On Markets and the Economy

Impact of the tariffs just struck down can most readily be seen in trade data. As we note in the chart below, imports gapped higher in the months immediately preceding the initial “Liberation Day” tariffs only to drift lower. While there had been widespread expectation that tariffs would cause inflation to ramp dramatically higher, and while PPI¹ and CPI² inflation rose in the months immediately after the tariff announcements, both producer and consumer inflation have since moderated.

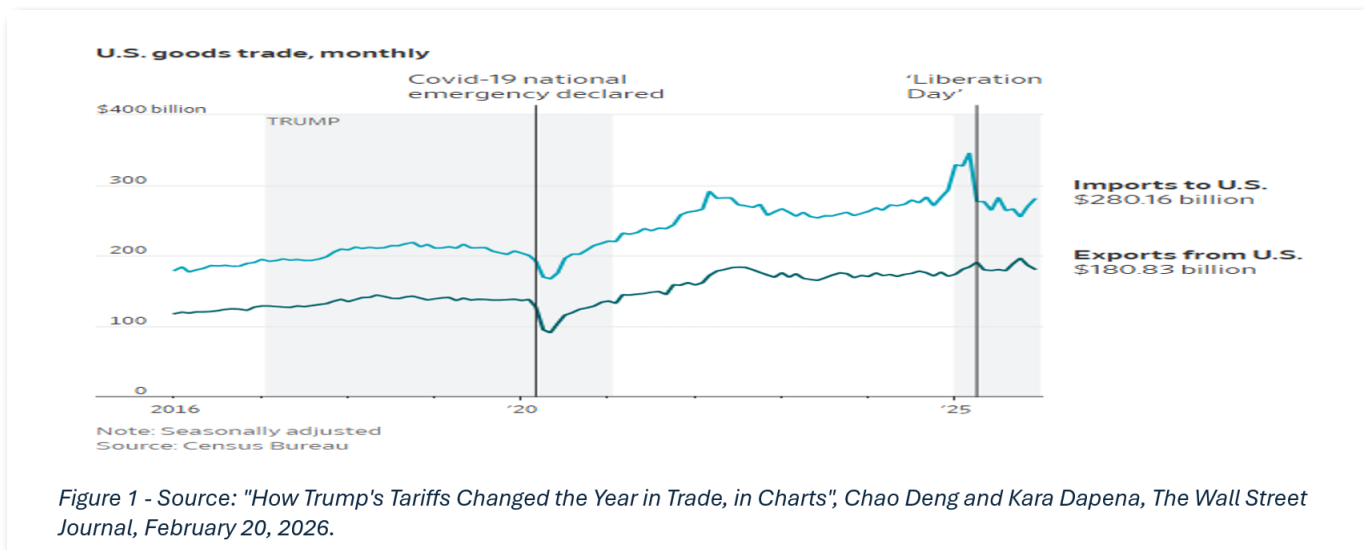


Figure 1 - Source: "How Trump's Tariffs Changed the Year in Trade, in Charts", Chao Deng and Kara Dapena, The Wall Street Journal, February 20, 2026.

Bond markets seem to have taken the tariff news in stride as interest rates have remained largely unchanged. (The belly of the curve, from 1-Yr to 10-Yrs has moved modestly lower.) SIM doesn't expect much more rate movement due to tariffs, though the Fed may find a reason to ratchet rates downward later in the year.

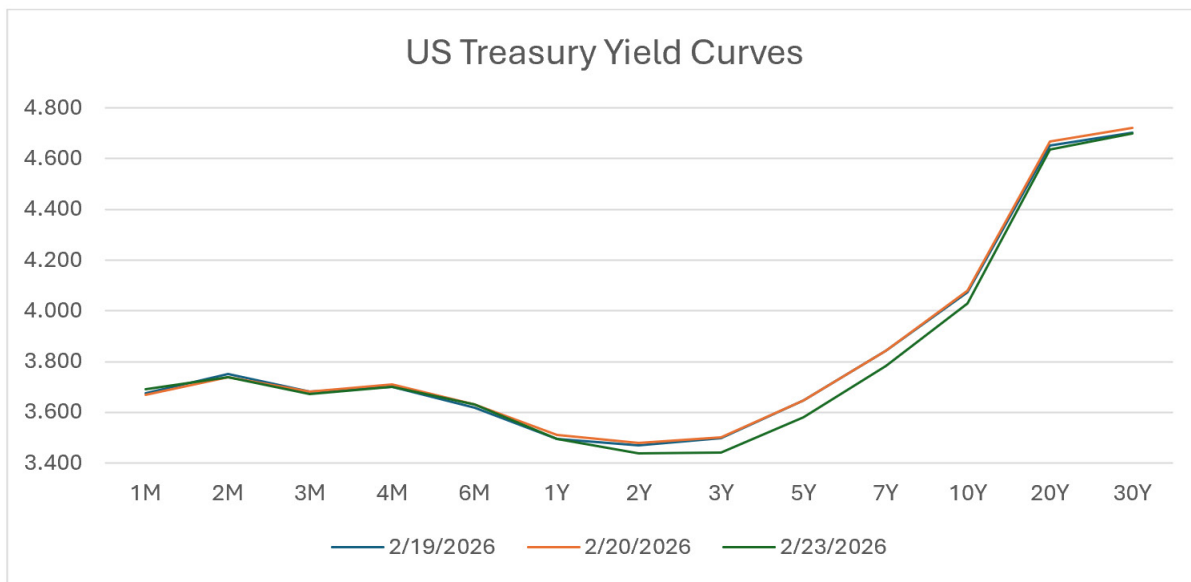


Figure 2 - Source: Bloomberg

While it would be tempting to say that the Tariff decision and the subsequent Trump tariff updates negatively impacted the equity markets, that wasn't the case. Domestic equity markets ended the day higher than they started, only falling on Monday, February 23, over fears about AI – due to a report from Citrini Research that asked the question: “What if AI is so bullish for the economy that it is actually bearish?”

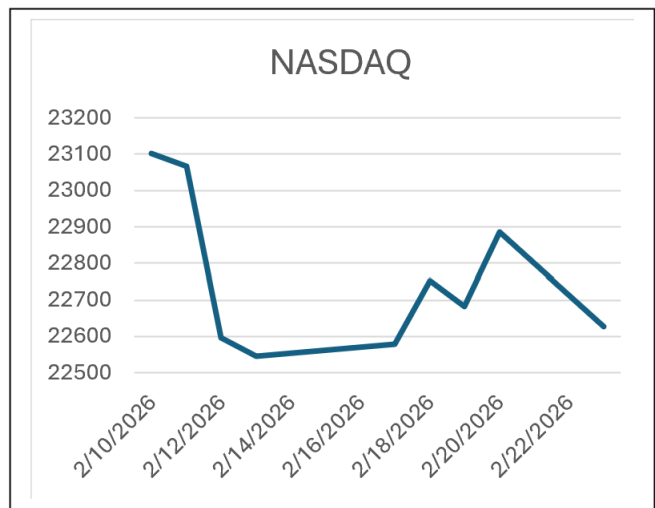
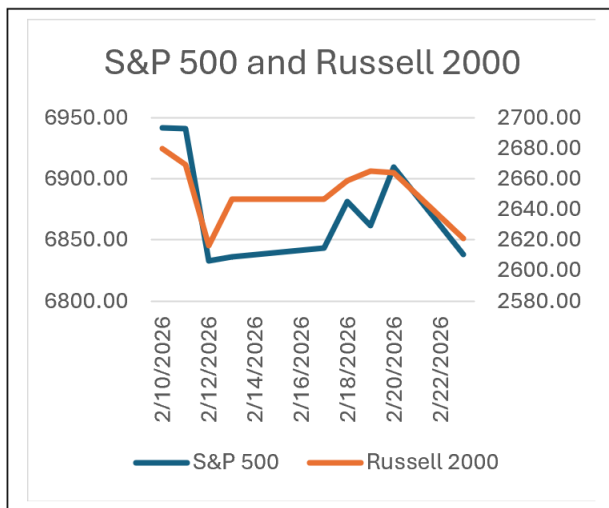


Figure 3 - Source: gurufocus.com and Yahoo Finance

In SIM's view, tariff fears are already baked into both market and economic expectations and any impact due to the Trump Administration's tariff modifications will likely be short-lived. Earnings expectations will likely have greater impact on market direction, and earnings thus far have been fairly robust. (With more than 85% of the S&P 500 companies reporting, earnings growth is approaching 14%.)

End Notes and Definitions

- 1) PPI: Producer Price Inflation
- 2) CPI: Consumer Price Inflation

Disclosure:

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