

## Key Takeaways:

- Supreme Court strikes down Trump using IEEPA for tariffs.
- Decision was split 6-3.
- Majority of tariffs are constitutional.
- The ruling just clarifies how tariffs can be used.
- Tariffs are here to stay.

## Breaking Down Supreme Court Ruling on Tariffs

Last Friday, the Supreme Court ruled against President Trump's use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs. The ruling was not a surprise as betting markets (e.g., Polymarket, Kalshi) had a 70-80% probability of this ruling. We admit, at this point, there are many questions. Especially around the potential unwind of the tariffs already collected and what President Trump will do next. In this weekly insights we offer what we know now and what we anticipate to occur due to the court's decision.

- **Not unanimous:** Three justices dissented (i.e., Thomas, Alito and Kavanaugh). A lack of unison means there is not a clear interpretation to using IEEPA for tariffs and composition changes to the Court could impact how IEEPA may be used in the future.
- **Allows use of tariffs:** While the Court ruled against using IEEPA to impose tariffs, they did not declare tariffs unconstitutional. Instead their ruling offered clarity on how administrations can use tariffs and under what sections in the trade statute they are constitutional.

- **Many tariffs remain in place:** According to U.S. Customs and Border Protection the use of IEEPA to institute tariffs makes up ~35% of the total tariffs (in 2025). The rest of the tariffs collected come from using Section 201, 232 and 301 which remain in place.
- **Refunds due but unclear.** The Supreme Court did clarify refunding tariffs that have been collected. In fact, Kavanaugh criticized how difficult and time consuming this process can be. Lawsuits are likely and companies due a refund will have to weigh the cost of litigation against reclaiming the tariffs. We expect refunds but the process will take time.
- **Global tariff rate.** Using section 122, the President announced a 10% global tariff rate in response to the ruling and then raised it to 15%. This allows the temporarily (up to 150 days) use of tariffs to address trade imbalances.
- **Fight begins:** President Trump knew this outcome was a possibility and has been actively seeking back up plans. He has other options but they are not as

immediate as using IEEPA. Under section 301 tariffs are allowed against countries with unfair trade practices. Section 232 allows industry specific tariffs for national security. Using these sections involve investigations and hearings and Trump has likely already begun the process while he used IEEPA to collect revenue.

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## The Bottom Line:

Regardless of the Supreme Court's ruling, tariffs are here to stay. They were a campaign promise and major source of revenue and we expect Trump to deliver. Some countries may see temporary relief (e.g. UK, Japan, Korea) and we expect some reworking of deals with negotiations continuing. It is important to understand that the ruling did not overturn tariffs. It simply offered clarity on how they can be used and be constitutional. We think Trump's plan B will bring in almost as much revenue as using IEEPA for tariffs so near term inflation is still a risk. We will continue to monitor the court battles, inflation and economic risk and update portfolios if necessary.

## Weekly Economic Recap –

Economy weaker; inflation accelerates

The NAHB Housing Market Index came in at a five month low in February. The weakness came from builder sentiment on the future and prospective buyers' traffic.

The preliminary reading on December durable goods orders showed that orders declined. The drop was due to orders of nondefense aircraft. When excluding those orders, core goods orders rose, led by orders of computers and electronics.

Both housing starts and building permits came in better than expected in December. Housing starts rose to a five month high while permits rose to a nine month high. Both starts and permits saw the most gains in multi family housing projects.

The FOMC Minutes from their January meeting suggested that committee members are more concerned about the elevated levels of inflation than they are about the labor market. Some members are willing to keep the door open for potential rate hikes this year if inflation does not get closer to their target.

The U.S. trade deficit ended 2025 at ~\$900 billion (imports exceeded exports), the third year out of the past four where the trade deficit was above \$900 billion.

The first reading on 4Q25 showed the the U.S. economy grew less than expected (+1.4% vs. 2.8% est.). The weakness was led by government spending which dropped the most since 3Q20. Personal consumption grew but was the weakest since 1Q25.

The Fed's preferred inflation gauge (PCE Core YoY) rose more than expected in December. On an annual basis, prices are growing 3.0% (YoY) compared to 2.8% (YoY) in November.

## Key Takeaways:

- Fed prepares for potential hikes.
- U.S. economic growth weaker than anticipated.
- Inflation proves problematic for Fed.
- Global equities rally as investors rotate to tech.
- Bond investors grow concerned about inflation data.
- Commodities rally on oil as Iran tensions increase.

## Weekly Market Recap –

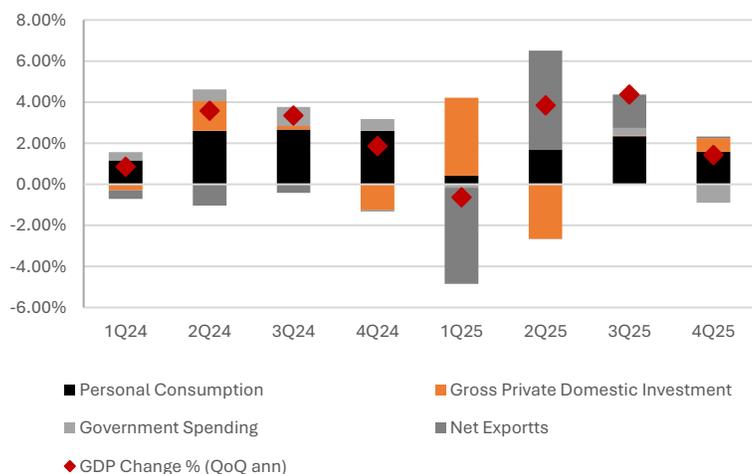
Global Equities Rally as Tech Rebounds

**Equities:** The MSCI AC World Index posted its best one week gain in six weeks as tech rebounded and the Supreme Court ruling down of some of Trump's tariffs overshadowed disappointing economic data. Investors rotated back to beaten down tech stocks as a weaker than expected U.S. GDP report renewed optimism for rate cuts. The Nasdaq and Russell 1000 Growth were the best performing U.S. Indices for the week.

**Fixed Income:** The Bloomberg Aggregate Index declined for the first time in five weeks as investors focused on the hotter than expected inflation data. Treasuries underperformed investment grade, EM and high yield bonds.

**Commodities/FX:** The Bloomberg Commodity Index rallied for the first time in three weeks led by energy. Crude oil prices rose to a six month high as U.S. tensions with Iran accelerated. Grains rallied, led by wheat due to

### Quarterly Contribution to U.S. GDP



Footnotes: Data is as of 4Q25.

Data Source: Bloomberg Finance LP, Verdense Capital Advisors.

adverse weather effects (dry conditions in key wheat producing regions).

## Global Equities Rally as Tech Recovers

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	49,626	0.3%	2.5%	8.9%	14.2%	3.4%	MSCI AC World (USD)	1,053	1.0%	3.1%	9.0%	20.8%	3.9%		
S&P 500	6,910	1.1%	1.8%	6.0%	14.4%	1.1%	MSCI EAFE (USD)	3,142	0.9%	5.9%	15.1%	32.1%	8.7%		
Russell 1000 Growth	4,567	1.5%	-1.0%	-0.1%	10.2%	-4.1%	MSCI Europe ex UK (USD)	3,474	1.7%	5.0%	13.9%	29.9%	6.6%		
Russell 1000 Value	2,214	0.7%	4.3%	13.2%	17.6%	7.1%	MSCI Japan (USD)	5,416	-1.8%	6.8%	16.9%	36.2%	12.8%		
Russell 2500	4,669	1.1%	2.6%	16.8%	18.7%	8.6%	MSCI UK (USD)	1,717	1.7%	6.4%	16.4%	36.7%	8.6%		
Russell 2000	2,664	0.7%	0.8%	15.9%	19.4%	7.5%	MSCI EM (USD)	1,567	0.8%	5.9%	14.7%	41.4%	11.7%		
Nasdaq	22,886	1.5%	-0.2%	3.8%	15.4%	-1.5%	MSCI Asia ex Japan (USD)	1,013	0.9%	5.6%	13.5%	40.6%	11.0%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.2%	-0.1%	1.5%	1.6%	7.5%	1.2%	Bloomberg Commodity Index	303	2.1%	3.5%	12.1%	15.7%	9.7%		
U.S. Govt/Credit	4.2%	-0.1%	1.5%	1.4%	7.0%	1.1%	Crude Oil (USD/bbl)	\$66.5	5.8%	6.1%	7.3%	-6.1%	9.1%		
U.S. 10 Year Treasury	4.1%	-0.2%	2.1%	1.2%	8.2%	1.2%	Gold (\$/oz)	\$5,107.5	1.3%	7.2%	25.3%	73.8%	18.2%		
U.S. TIPS (1-10YR)	3.8%	-0.1%	1.1%	1.0%	6.5%	0.8%	Copper	\$583.9	0.9%	0.5%	17.5%	26.6%	2.8%		
U.S. High Yield	6.6%	0.2%	0.5%	2.4%	7.8%	0.9%	Wheat	\$580.3	3.9%	11.2%	5.5%	-13.0%	11.9%		
EM Bonds (USD)	5.7%	0.1%	1.7%	2.1%	11.0%	1.4%	U.S. Dollar	98	0.9%	-0.9%	-2.4%	-8.1%	-0.5%		
Municipal Bonds	3.3%	0.2%	1.2%	2.1%	5.4%	1.9%	VIX Index	19.1	-7.3%	-5.0%	-27.7%	21.9%	27.7%		

Footnotes: Data is as of February 20, 2026.

Source: Bloomberg Finance LP, Verdense Capital Advisors.

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