



FEBRUARY 2026

# US Supreme Court strikes down Trump's tariffs – investment implications



**Christian Schulz,**  
Chief Economist

The US Supreme Court struck down the government's use of the International Emergency Economic Powers Act (IEEPA) as a legal basis for President Trump's reciprocal tariffs and a range of other tariff actions threatened or implemented under emergency declarations.

The ruling invalidates both the near-global "reciprocal" tariffs and the 25% tariffs tied to fentanyl-related emergency measures targeting Canada, Mexico and China, highlighting the sweeping scope of the decision. Existing tariffs imposed under other statutes – such as Section 232 duties on steel and aluminium – remain unaffected.

## Key takeaways

- The US Supreme Court ruling eliminates all IEEPA-based tariffs, reaffirming Congress's sole authority over trade policy and removing the President's most flexible tariff tool.
- While shifting to narrower tariff statutes may introduce fresh uncertainty, prospects of tariff refunds could lift equities, and the ruling strengthens US institutional checks and balances.

The Court went further and more categorically than our base case expectation of a potential "yes but" decision: it offered no guardrails, no ambiguity and no partial uphold. Instead, it issued a sweeping reaffirmation of Congress's exclusive authority over tariffs.

Despite the breadth of the ruling, the economic and political implications broadly align with our prior expectations.

### Refund risk: large but uncertain

The Court did not rule on retroactive tariff refunds but explicitly left the door open to litigation. Such cases could be lengthy and administratively complex, and ultimately cost the US Treasury USD 150-200 billion if plaintiffs succeed.

### Alternative legal pathways remain available

The ruling affects only IEEPA. Other authorities remain intact:

- Section 122 of the Trade Act (1974) allows tariffs of up to 15%, and President Trump already announced he would activate this globally; however, congressional approval would be needed after 150 days. Countries currently facing very high tariff rates – such as Brazil – may benefit most from any reduction during the transition.
- Section 232 would allow sectoral tariffs, though with risks of new distortions to supply chains.
- Section 301 remains available, for example by using digital taxes or non tariff barriers abroad as the basis for potentially severe retaliation.

The rapid deployment of these alternatives would limit market disruption but still introduce uncertainty as the administration recalibrates its legal strategy.

### Foreign policy tools narrowed

The Court held that foreign affairs considerations do not expand presidential power, expressly rejecting a foreign affairs exception to the major questions doctrine – the principle that when a presidential action has vast economic or political significance, Congress must clearly grant that authority rather than leaving it to inference. This ruling reinforces that Congress alone controls tariff authority.

As a result, the President loses tariffs as a flexible foreign policy coercion tool. Other instruments – such as military or security measures – remain available but are significantly more cumbersome to deploy.

### Market implications

- **Risk sentiment:** Less presidential discretion over tariff policy may support risk assets broadly by reducing policy volatility.
- **Equities:** Hopes of tariff refunds could lift specific stocks, particularly major importers.
- **Rates:** Potential repayments represent a sizeable but manageable fiscal risk for Treasuries.
- **FX:** The decision may bolster confidence in US institutional checks and balances, providing marginal support for the US dollar.

By reasserting Congress's exclusive authority over tariff policy, the ruling reinforces the strength of US institutional checks and balances – an outcome that markets typically reward.



**Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested.**

**Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.**

**This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication. but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted, except for the case of explicit permission by Allianz Global Investors.**

**This material has not been reviewed by any regulatory authorities.**

This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungs-aufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).