FRANKLIN TEMPLETON | Institute

Breaking Views: Briefings with the Institute

SCOTUS on Tariffs

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The US Supreme Court (SCOTUS) released a much-awaited decision on the legality of President Trump's tariffs. Stephen Dover, Head of Franklin Templeton Institute, led a panel of investment leaders to discuss the market implications. View the webinar replay.

Key takeaways for investors

- The SCOTUS ruling on February 20 invalidated tariffs that the Trump Administration had put in place by claiming authority under the International Emergency Economic Powers Act (IEEPA).
- Following the decision, the IEEPA tariffs are no longer in effect, and parties that paid the tariffs can seek refunds, although our panel warned this may be a slow and complicated process.
- US President Trump responded quickly with a new 15% tariff on a broad range of imports to take effect February 24, 2026. Based on Section 122 of the Trade Act of 1974, these new tariffs may remain in effect only for 150 days, unless Congress takes action to extend them.
- The bilateral trade agreements with other countries that the administration has announced over the past year face uncertainty. These deals had set tariffs at different levels, while the new tariffs are the same for all countries. Some countries may want to keep the agreements, while others may find the new tariffs more favorable.
- The administration may use additional tariff authorities under Sections 232 and 301, but they involve more time-consuming procedures, and opponents may contest them. In short, it appears that using tariffs to negotiate trade deals will be a more limited tool in the future.
- The average level of tariffs will likely be lower than the peak rates reached in 2025. The Tax Foundation estimated that US tariffs in 2025 raised US$142 billion—just under 0.5% of gross domestic product (GDP) and about 3.75% of total federal tax receipts.
- Sonal Desai and Shep Perkins agreed that a somewhat lower tariff level does not significantly change their 2026 outlooks, but it could slightly improve economic growth and slightly reduce inflation. The decline in tariff revenue does not significantly change US fiscal stability. Sonal suggested that higher income tax refunds expected in 2026 should support growth.
- Shep explained that complying with changing tariffs may be a disadvantage for small-cap companies relative to large multinationals with greater global supply-chain flexibility.
- The Franklin Templeton Institute maintains its outlook for broadening market leadership during 2026. Earnings and economic growth have been resilient, and we expect new areas of markets to show strength, including international markets and emerging markets (EMs).
- Shep highlighted strong earnings growth in EMs, and Sonal indicated many EMs have more prudent and stable macro policies than the United States.
- Specific sector impacts caused by the end of IEEPA tariffs will likely be muted. Shep explained that apparel and retail companies that import large amounts of goods could benefit, but many stocks in these sectors have rallied in recent months, leaving less potential upside.
- Sonal believes that Federal Reserve (Fed) interest-rate policy is mildly stimulative given US economic growth and productivity gains. If the economy remains near current growth levels, she believes the Fed should not cut rates again this year.
- Panel members also discussed the nomination of Kevin Warsh to lead the Fed. They generally view Warsh favorably and expect continuity with the interest-rate policy of the current Fed. In other areas of policy, Warsh may push for greater change by advocating a smaller balance sheet. This would involve the Fed shedding Treasuries and mortgage-backed securities that it acquired during multiple rounds of quantitative easing.

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