

SUPREME COURT TARIFF RULING: KEY TAKEAWAYS FOR INVESTORS

The Supreme Court ruling that recent tariffs are unconstitutional may shift how these tariffs are implemented. What perspective do investors need to navigate the market and economic impact?

After nearly a year of trade policy uncertainty, the Supreme Court's ruling that recent tariffs are unconstitutional has reset the policy landscape. President Trump has already signaled a switch to an alternative legal framework for tariffs, and markets are still digesting what this means for trade policy, corporate earnings, consumer spending, and investment portfolios.

For investors, the most important takeaway is not the legal ruling itself, but that the past year demonstrates the importance of staying invested. While markets can experience swings during periods of policy uncertainty, they can also stabilize and recover when investors least expect it. Tariffs will continue to drive headlines, so having a clear understanding of recent events can help long-term investors maintain perspective as the next chapter unfolds.

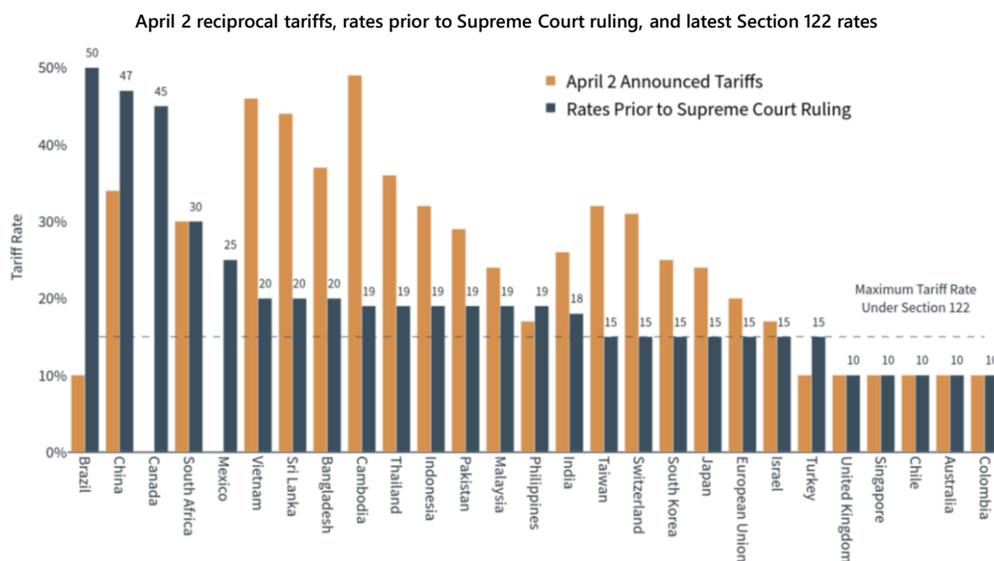
A Year of Tariff Volatility

To understand the implications for investors, it helps to understand what this ruling means. Presidents have several legal tools available to impose tariffs, each with different rules around rates, duration, and scope. The reciprocal tariffs announced on "Liberation Day" last April were justified under the 1977 International Emergency Economic Powers Act (IEEPA), which grants the president authority to regulate commerce in response to a declared national emergency. In this case, the stated emergency was the country's persistent trade deficits, illegal drug trafficking, and immigration.

Here is a brief summary of the main events:

- On April 2, 2025, the initial announcement included a baseline 10% tariff on virtually all trading partners, with higher country-specific rates layered on top. Immediate market reaction was sharp, resulting in a correction across major indices, while investors feared that tariffs would fuel "stagflation" (higher inflation paired with lower economic growth).
- On April 9, 2025, the administration announced a 90-day pause on country-specific increases, leaving only the baseline rate in place. Markets rebounded quickly and rose to all-time highs in just months. Trade deals were subsequently made with individual countries.
- On February 20, 2026, the Supreme Court ruled that the administration lacked the authority to impose sweeping global tariffs under IEEPA. The ruling reaffirmed Congress's central role in setting trade policy.

U.S. Tariff Rates and Trade Wars



Sources: Clearmomics, White House. Latest data point is February 24, 2026.

Tariffs Are Unlikely to Go Away

The administration was aware of the possibility of this ruling and has explored how IEEPA could be bypassed. Following the ruling, the administration quickly implemented tariffs under a different law, Section 122 of the Trade Act of 1974. This law was chosen because it can be used against a number of countries at once and does not require lengthy investigations and reports that could take months.

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Specifically, Section 122 allows the president to impose tariffs of up to 15% for a period of 150 days, without Congressional approval. The spirit of this law was to allow presidents to respond to trade imbalances and threats without completely bypassing Congress.

This means that although some of the higher tariff rates introduced in 2025 may be rolled back, and new tariffs may not last more than several months, tariffs are likely to remain an active policy tool. Businesses and investors should expect continued uncertainty around tariff levels and ongoing negotiations with individual countries.

Another area of uncertainty is if and how refunds will be made. Courts must determine whether businesses that paid tariffs under the IEEPA framework are entitled to refunds, and whether individual Americans would be included in reimbursements. Answers to these questions could take years to play out.

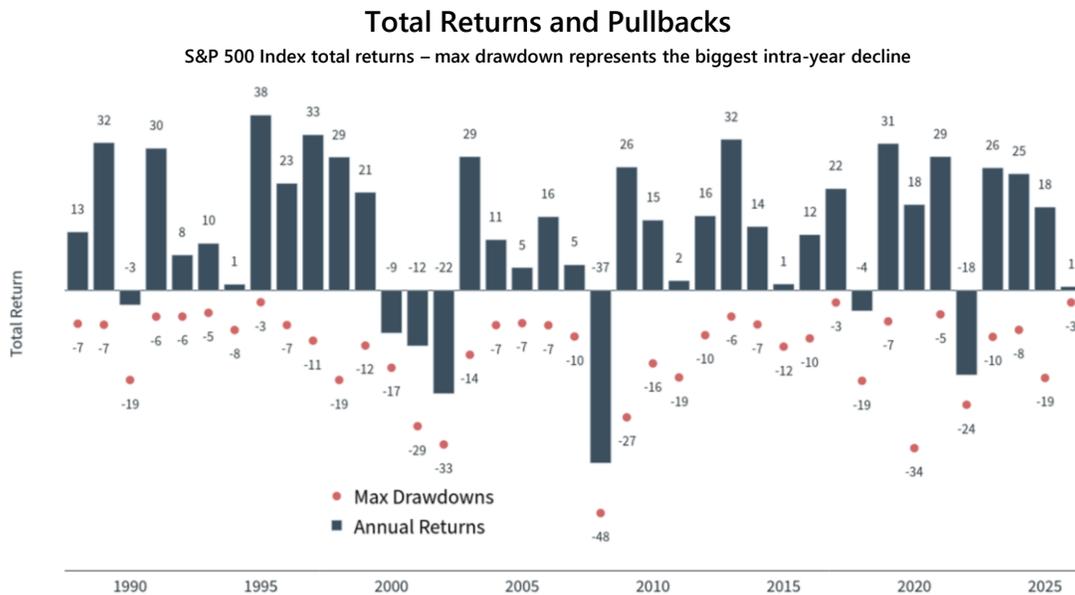
The Economy Does Not Always Follow Textbook Theory

When tariffs were raised to their highest levels since the Great Depression, many feared demand destruction, rising inflation, a strengthening dollar, and struggling markets. Why did this not fully materialize? First, the level of tariffs changed quickly and repeatedly. The 90-day pause announced just one week after Liberation Day dramatically reduced the effective tariff burden on most trading partners, meaning the highest announced rates never truly went into effect except with a few trading partners.

Second, companies responded by stockpiling imported goods well ahead of the April deadlines. This was clearly visible in the trade data, which showed a significant spike in imports in the first quarter of 2025 as businesses front-loaded purchases. This meant that the immediate inflationary impact was cushioned, at least temporarily.

Third, and perhaps most importantly for markets, the underlying fundamentals of the economy remained solid. Inflation continued to moderate, with the Consumer Price Index rising just 2.4% year-over-year in January 2026. Real GDP grew at a modest but healthy 2.2% pace for all of 2025, according to the latest report from the Bureau of Economic Analysis. Corporate earnings continue to be strong as well, supporting valuations and long run growth.

Of course, this is not to say that tariffs had no impact. The federal government collected hundreds of billions of dollars in tariffs which were paid by both consumers and businesses. But the experience of the past year is a reminder that economic outcomes are rarely as straightforward as the headlines suggest, and that is why investors should not react to worst-case scenarios.



Sources: Clearnomics, Standard & Poor's. Latest data point is February 24, 2026.

The clearest lesson from the past year of tariff volatility is one that applies to virtually every period of market and policy uncertainty: the best thing investors could have done was to stay invested. Trying to predict the precise effect of tariffs on the economy and markets is not only difficult, but counterproductive. Throughout history, years with significant intra-year pullbacks have very often still ended with positive returns, and missing the best market days during these swings can dramatically lower long-term portfolio returns.



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