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R&R Weekly Column
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Trump's Policy Stopped by the US Supreme Court: A Glimpse of Checks and Balances Returns

On February 20, 2026, the U.S. Supreme Court delivered one of its most consequential rulings in recent trade history, striking down a sweeping array of President Donald Trump's tariffs in a 6-3 decision. The cases before the Court centered on a single pivotal question: does the International Emergency Economic Powers Act (IEEPA) of 1977 authorize the president to impose tariffs?

The answer, delivered by Chief Justice John Roberts, was an unequivocal no. Roberts wrote that IEEPA "contains no reference to tariffs or duties," and that until Trump, no president had ever read the statute to confer such power. The majority held that when Congress grants the power to impose tariffs, it does so clearly and with careful constraints — something IEEPA plainly does not do.

The 6-3 majority was a rare cross-ideological coalition, comprising Chief Justice John Roberts and Justices Sonia Sotomayor, Elena Kagan, Neil Gorsuch, Amy Coney Barrett, and Ketanji Brown Jackson. Notably, three of those six — Gorsuch, Barrett, and Kavanaugh — were appointed to the court by Trump himself during his first term, making the vote a striking rebuke from justices the president had personally elevated. Gorsuch and Barrett joined Roberts in applying the "major questions doctrine," holding that sweeping executive actions of vast economic significance require explicit congressional authorization.

The three dissenters were Justices Clarence Thomas, Samuel Alito, and Brett Kavanaugh — all conservatives, and Kavanaugh another Trump appointee. Kavanaugh wrote that, despite the "vigorous policy debates" spurred by Trump's tariffs, those debates are not for the courts to resolve, arguing that tariffs are "a traditional and common tool to regulate importation" within the meaning of IEEPA. Trump praised Kavanaugh effusively after the ruling, quoting his dissent's observation that the decision might not "substantially constrain a president's ability to order tariffs going forward."

Trump responded defiantly. He announced a new 10% global levy under a section of the Trade Act of 1974, signaling that his administration would pursue tariffs through alternative statutory channels. He also pledged a new global tariff of 15%, while pointedly quoting Justice Brett Kavanaugh's dissent — which noted that the ruling "might not prevent Presidents from imposing most, if not all, of these same sorts of tariffs under other statutory authorities."

The ruling left the question of refunds unresolved, with potentially $175 billion or more collected under the invalidated IEEPA tariffs — a legal and financial tangle that lower courts will now need to address. Scott Bessent said that it will take time to resolve this issue, but for the time being the Treasury market did not react significantly, while equities rallied.

Trump has finally found out that some of the "checks and balances" on which the US constitutional arrangement is built still exists. He does not have infinite power: the new tariffs can only remain in place for 150 days, before the President needs the authorisation of Congress. The Court effectively clarified that the tariffs are taxes on US citizens and businesses, and that only the Congress has the authority to impose new taxes. "No Taxation without Representation" has been at the basis of the US Constitution since the War of Independence against British rule in 1776.

The question is whether Trump will become more or less aggressive as a result of this ruling, and the answer seems obvious: he will become more aggressive. This does not bode well for the upcoming mid-term elections in November.

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Looking Ahead

The Week Ahead: Inflation To Ease Off In EZ, Germany And France; QoQ GDP To Decelerate In France And Advance In Germany

In the US, in February, CB Consumer Confidence is expected to increase to 86 (*p:* 84.5).

In the EZ, in January, headline and core inflation rates are expected to ease off to 2.2% y-o-y (*p:* 2.3%) and 1.7% y-o-y (*p:* 2.0%) In February, consumer confidence is seen rising to -12.2 (*p:* -12.4). Among the largest EZ economies, in January, the headline inflation rate is expected: *i)* to ease off to 1.0% y-o-y (*p:* 1.2%) in Italy; *ii)* cool off to 2.0% yoy (*p*: 2.1%) in Germany. Among the largest EZ economies, in Q4, according to the final estimates, GDP growth rate is likely to: *i)* decelerate to 0.2% q-o-q (*p:* 0.5%) and rise by 1.1% y-o-y (*p*: 0.9%) in France; *ii)* advance by 0.3% q-o-q (*p*: 0.0%) and 0.4% y-o-y (*p*: 0.3%) in Germany.

In the UK, in February, Gfk Consumer Confidence is expected to increase to -15 (*p:* -16).

The Quarter Ahead: Trump Plans To Increase Global Tariffs To 15%; Trump Weighing limited Iran Strike

Trump announced he will impose temporary global tariffs of up to 15%, after the Supreme Court ruled 6–3 that he overstepped his authority in introducing earlier sweeping tariffs under emergency powers. He will instead use a 1974 trade law allowing tariffs for about five months without Congress. The move creates uncertainty for trade partners that had agreed to a 10% rate. India has postponed trade talks after the US Supreme Court struck down Trump's tariffs.

Trump said he is considering limited military strikes on Iran over its nuclear program, with a decision expected within 10–15 days, though talks remain possible. The U.S. is building up forces in the Middle East, raising fears of conflict that could disrupt oil flows through the Strait of Hormuz, a key global chokepoint. Oil prices have risen on the risk.

Last Week's Review

Real Economy: US QoQ GDP Decelerated; UK Inflation Eased Off; PMIs Declined In US, While Rose In EZ And UK

In the US, in Q4, GDP growth rate decelerated to 1.4% q-o-q (*c*: 3.0%; *p*: 4.4%) SAAR. In January, IP rose by 2.3% y-o-y (*p:* 1.3%). In February, S&P Global manufacturing and Services PMIs edged down to 51.2 (*c:* 52.6; *p:* 52.4) and 52.3 (*c:* 53.0; *p:* 52.7). Composite PMI fell as well to 52.3 (*p:* 53.0) In February, Michigan Consumer Expectations declined to 56.6 (*c:* 56.6; *p*: 57.0).

In the EZ, in February, ZEW Economic Sentiment Index decreased to 39.4 (*c:* 45.8; *p:* 40.8). In February, consumer confidence rose to -12.2 (*c:* -11.8; p*:* -12.4). In January, among the largest EZ economies, headline inflation: *i)* rose to 2.1% y-o-y (*c*: 2.1%; *p:* 1.8%) in Germany; *ii*) rise by 0.3% y-o-y *(c:* 0.8%; *p*: 0.3%) in France. In February, HCOB manufacturing and services PMIs edged up to 50.8 (*c:* 50.0; *p:* 49.5) and 51.8 (*c:* 51.9; *p:* 51.6). Composite PMI rose to 51.9 (*c:* 51.5*; p:* 51.3).

In the UK, in December, unemployment rate edged up to 5.2% (*c:* 5.1%; *p:* 5.2%). In January, headline and core inflation rates cooled off to 3.0% y-o-y (*p*: 3.4%) and 3.1% y-o-y (*p:* 3.2%) as expected. In February, S&P Global manufacturing PMI increased to 52.0 (*c*: 51.5; *p:* 51.8), while and services PMI edged down to 53.9 (c: 53.5; *p:* 54.0). Composite PMI edged up to 53.9 (*c:* 53.3; *p:* 53.7).

Financial Markets: Stocks Increased; US Yields Rose; US Dollar, Oil And Gold Prices Were Up

Market Drivers: Stocks rallied after the Supreme Court struck down Trump's tariffs, despite rising U.S.–Iran tensions and higher oil prices. Treasuries fell, high-yield bonds outperformed, and European stocks hit highs on stronger earnings and supportive data.

Global Equities: increased *w-o-w* (MSCI ACWI, +1.0%, to 1052.97). The US S&P 500 index increased (+1.1% w-o-w, to 6,909.51). In the EZ, share prices increased (Eurostoxx 50, +2.4% w-o-w, to 6,131.31) In EMs, equity increased (MSCI EMs, +0.8%, to 1,567.23) Volatility is virtually fell to 20.15 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: *w-o*-w, the 10-year US Treasury yields were up (+3 bps to 4.09%). The 2-year US Treasury yields rose (+7 bps to 3.48%). The German 10-year bund yields declined (-2 bp to 2.74%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +0.9%, to 97.80; EUR/USD -0.7%, to 1.18). In EMs, currencies rose marginally (MSCI EM Currency Index, +0.0% w-o-w, to 1,871.68).

Commodities: *w-o-w,* oil prices increased (Brent, +5.2% to 71.30 USD/b). Gold rose increased w-o-w (+0.7% to 5,080.90 USD/Oz).

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The picture in the first page was taken from this website.

Abbreviations, Acronyms and Definitions

a	*Actual*	*LN*	*Northern League, Italy*
AKP	*Justice and Development Party, Turkey*	*M5S*	*Five Star Movement, Italy*
ann.	*annualized*	*m-o-m*	*Month-on-month*
ARS	*Argentinian Peso*	*mb*	*Million barrels*
avg.	*Average*	*mb/d*	*Million barrels per day*
bn	*Billion*	*MENA*	*Middle East and North Africa*
BoC	*Bank of Canada*	*MHP*	*Nationalist Movement Party, Turkey*
BoE	*Bank of England*	*mn*	*Million*
BoJ	*Bank of Japan*	*MPC*	*Monetary Policy Committee*
bpd	*Barrels per day*	*NAFTA*	*North-American Free Trade Agreement*
bps	*Basis points*	*NATO*	*North Atlantic Treaty Organization*
BS	*Balance sheet*	*OECD*	*Organization for Economic Cooperation and Development*
c	*Consensus*	*Opec*	*Organization of Petroleum Exporting Countries*
C/A	*Current account*	*p*	*Previous*
CB	*Central bank*	*P2P*	*Peer-to-peer*
CBB	*Central Bank of Bahrain*	*PBoC*	*People's Bank of China*
CBK	*Central Bank of Kuwait*	*PCE*	*Personal Consumption Expenditures*
CBT	*Central Bank of Turkey*	*PE*	*Price to earnings ratio*
CDU	*Christian Democratic Union, Germany*	*PM*	*Prime minister*
CNY	*Chinese Yuan*	*PMI*	*Purchasing managers' index*
CPI	*Consumer Price Index*	*pps*	*Percentage points*
DJIA	*Dow Jones Industrial Average Index*	*pw*	*Previous week*
DJEM	*Dow Jones Emerging Markets Index*	*QCB*	*Qatar Central Bank*
d-o-d	*Day-on-day*	*QAR*	*Qatari Riyal*
DXY	*US Dollar Index*	*QE*	*Quantitative easing*
EC	*European Commission*	*q-o-q*	*Quarter-on-quarter*
ECB	*European Central Bank*	*RE*	*Real estate*
ECJ	*European Court of Justice*	*RBA*	*Reserve Bank of Australia*
EIA	*US Energy Information Agency*	*RRR*	*Reserve Requirement Ratio*
EM	*Emerging Markets*	*RUB*	*Russian Rouble*
EP	*European Parliament*	*SWF*	*Sovereign Wealth Fund*
EPS	*Earnings per share*	*tn*	*Trillion*
EU	*European Union*	*TRY*	*Turkish Lira*
EUR	*Euro*	*UAE*	*United Arab Emirates*
EZ	*Eurozone*	*UK*	*United Kingdom*
Fed	*US Federal Reserve*	*US*	*United States*
FOMC	*US Federal Open Market Committee*	*USD*	*United States Dollar*
FRB	*US Federal Reserve Board*	*USD/b*	*USD per barrel*
FX	*Foreign exchange*	*UST*	*US Treasury bills/bonds*
FY	*Fiscal Year*	*VAT*	*Value added tax*
GCC	*Gulf Cooperation Council*	*VIX*	*Chicago Board Options Exchange Volatility Index*
GBP	*British pound*	*WTI*	*West Texas Intermediate*
GDP	*Gross domestic product*	*WTO*	*World Trade Organisation*
IMF	*International Monetary Fund*	*w*	*Week*
INR	*Indian Rupee*	*w-o-w*	*Week-on-week*
IPO	*Initial public offering*	*y*	*Year*
IRR	*Iranian Rial*	*y-o-y*	*Year-on-year*
JPY	*Japanese yen*	*y-t-d*	*Year-to-date*
k	*thousand*	*ZAR*	*South African Rand*
KSA	*Kingdom of Saudi Arabia*	*2y; 10y*	*2-year; 10-year*