

Courts Strike Down April Tariffs, but Outlook Grows Even Cloudier

Yesterday, a U.S. federal court ruled that President Trump cannot legally invoke the International Emergency Economic Powers Act (IEEPA) to impose unlimited tariffs. As a result, the “reciprocal” tariffs announced in April, the 20% fentanyl trafficking tariff on China, as well as the import tax on non-USMCA goods from Mexico and Canada—have been nullified, pending appeal.

Markets have responded positively in early trading. However, this optimism may be premature. The ruling will be challenged, and even if upheld by the Supreme Court, alternative legal avenues may still allow the president to reimpose tariffs.

For U.S. businesses, the evolving situation only adds to the uncertainty. Companies may now be eligible for refunds on import taxes paid in recent months, which could further strain the federal budget while the Senate debates the massive funding bill recently passed by the House. Since import taxes were intended to partially offset tax cuts, the projected multitrillion-dollar funding gap could widen.

As far as trade negotiations go, any urgency by foreign governments to reach an agreement is suddenly *on hold*. The administration’s “90 deals in 90 days” goal was always ambitious, and yesterday’s decision is expected to stall any ongoing discussions.

While the ruling may appear to bring clarity, it actually introduces new layers of complexity. Any perceived inflation relief is unlikely to translate into long-term price stability. Monetary policy is expected to remain firmly on hold, as the broader outlook for growth remains uncertain.

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Market Indications as of 12:04 P.M. Central Time

DOW	Up 27 to 42,126 (HIGH: 45,014)
NASDAQ	Up 117 to 19,218 (HIGH: 20,174)
S&P 500	Up 15 to 5,904 (HIGH: 6,144)
1-Yr T-bill	current yield 4.13%; opening yield 4.15%
2-Yr T-note	current yield 3.94%; opening yield 4.03%
3-Yr T-note	current yield 3.90%; opening yield 4.00%
5-Yr T-note	current yield 3.99%; opening yield 4.06%
10-Yr T-note	current yield 4.42%; opening yield 4.51%
30-Yr T-bond	current yield 4.92%; opening yield 4.98%

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