

Key takeaways

- The tariffs are not gone for good, but they will continue to change.
- It is unclear if the funds collected from the tariffs will be refunded and how that would be completed.
- Even with the tariff uncertainty, the economy continues to grow modestly with relatively low inflation.

(Approximately 3-5 min. read)

With tariffs taking center stage again after the recent Supreme Court ruling, markets have been digesting the current and potential future impacts along with the ever-changing U.S. policies. The economics team at Frist Trust did a good job breaking down what may or may not happen. We share some highlights from their insights below and hope you find it insightful as well.

Higher tariffs not dead

The Trump Tariffs are dead, long live the Trump Tariffs!

As the First Trust economics team expected, the Supreme Court struck down most of the new tariffs President Trump had imposed since taking office thirteen months ago. While Congress gave the President “emergency” powers to regulate trade in a 1977 law, the Court, in a 6-3 ruling said that law does not expressly include tariffs. As a result, many Trump tariffs exceeded the powers Congress delegated to the president.

The tariffs struck down include extra tariffs on China, Canada, and Mexico based on illegal immigration and drug trafficking, and “liberation day” tariffs intended to address trade deficits. Trade deficits are partly due to high levels of investment and consumption where the country imports more goods and services than it exports. There were additional duties on Brazil and India, based on the way the former country handled the prosecution of its former president and the latter’s handling of Russian oil.

However, other Trump tariffs remain in place. These include those on steel and aluminum as well as tariffs on China that date back to the first Trump Administration. In addition, there are other legal avenues for President Trump to use to impose tariffs. And the president announced a new 10%+ tariff (over the weekend, he said he would raise this to 15%) on the rest of the world using those other legal avenues.

In other words, Trump’s tariffs are going to change and evolve but aren’t going away. As a result, the reaction in markets is likely to be back and forth until all the smoke clears.

And lost in the noise is that the ruling could lead to a smaller, less intrusive government. The court ruling may have been a bitter pill for the Trump Administration to swallow, but over time the reasoning used to strike down the tariffs will make it tougher to expand the power of the federal government. For example, if a future president wanted to use “emergency” tariffs to punish countries that don’t limit carbon emissions or countries that strictly limit immigration, then those tariffs wouldn’t be legal, either.

The big issue remaining to be decided is whether the tariffs struck down by the Court will be refunded. The Supreme Court punted that issue back to the lower court. For all we know, that lower court may decide a refund would be a windfall gain for some businesses because it was their customers who truly

paid the extra cost and those customers will not get the refund money. Or, the court could decide refunds are due, but it could take years for the refunds to actually happen.

In the meantime, while the Trump tariffs seemingly died, they are not gone for good. And while many may hate the tariffs for all kinds of philosophical and economic reasons, the economy continues to grow at a modest rate with relatively low inflation.

Source: First Trust, Economic Research Report, February 23, 2026

Allen Feest Kjellberg Wealth Management Group at Morgan Stanley Team Updates

If you know anyone who would benefit from the information in this newsletter, please feel free to connect them with us and/or forward it to them.

Erik is on call for jury duty this week and will be checking emails and voicemails when possible.

The rest of the team is around this week.

Please enjoy this week's commentaries and links to reports below. To read the full report of any of the excerpts below, feel free to reach out to us and request a copy of the full report.

February 25th , 2026

Global Investment Committee Weekly *The new productivity dynamics*

The GenAI-capex-powered economy and its attendant bull market appear to be entering a new phase that transcends the broadening and rotation of the past four months of index churn. Investor realization that this tech-diffusion cycle is different—with its challenges to growth and productivity assumptions—seems to be driving the dynamics. First, natural resources are critical to this “tech revolution,” with ripple effects from commodities revaluation, and investment extending to areas like construction and power generation. We don't view this revolution as ultimately consumer-centric, but as a rare move away from consumption-led and toward investment-led growth. Furthermore, while productivity gains may be encouraging, translation to equity markets may be complicated. After all, US indexes have been dominated by asset-lite, recurring-revenue tech business models, with dominance tied to zero-marginal-cost growth, underpinning record profits. These leaders are becoming capital-intensive, cash-flow-hungry businesses for which incremental AI adoption is driving higher “compute” costs. That said, margin gains are likely to shift from tech to nontech, and to infrastructure-linked sectors at the expense of consumption-related ones, increasing the need for balanced and diversified portfolios. **Consider** focusing on earnings realization in the US and taking profits in small/micro-cap and speculative equities while redeploying to large-cap core and quality names—including select Magnificent Seven stocks—broadening to productivity beneficiaries in financials, health care, industrials and energy. Balance market-cap- and equal-weighted exposure for passive investors, using active management for up to 50% of allocations. Add to rest-of-world equities, focusing on EM. Hedge funds, gold and infrastructure remain key allocations.

Fixed Income Insight

Tech Issuance Losing Its Relative Luster

As the tech sector has turned to debt markets to fund the next leg of the data center build-out, investors have squeezed out the “quality discount” previously afforded to tech versus the rest of the investment grade corporate bond universe. Cost-of-capital normalization removes yet another factor that has supported premium equity valuations. Unfortunately for the sector, widening spreads come as firms are not only being questioned about return on investment for capex but as they face potential headwinds from rising R&D, higher input costs and potentially changing business models related to the compute-heavy nature of AI applications. As tech issuance grows as a share of the Bloomberg US Aggregate Bond Index, investors need to understand their cross-asset exposure to the GenAI theme. As virtually every asset class is leveraged to it in some way, we advise active risk management.

Source: Morgan Stanley – Global Investment Committee, The GIC Weekly, February 23, 2026

First Trust’s Monday Morning Outlook

Higher tariffs not dead

Please use this link to read a special edition of First Trust’s Economic Research Report:

[Higher tariffs not dead](#)

Source: First Trust, Economic Research Report, February 23, 2026

J.P. Morgan’s U.S. Weekly Market Recap

This week in review

- GDP rose 1.4% in 4Q
- Mfg. and svcs. PMIs were 51.2 and 52.3
- Consumer sentiment came in at 56.63

This week ahead

- Consumer confidence
- New home sales

New year, new equity market. Value is off to its strongest ever start against growth, and only one Mag 7 is positive, but it’s reasonable to question both the durability and rationality of parts of this rotation. First and foremost, it’s been led by cyclicals like small caps and the energy, industrials and materials sectors. While economic growth should accelerate in 2026, it probably won’t last much longer than people’s tax refund checks. The cyclical value sectors have also been boosted by the run up in commodities. Part of this has been structural; concerns around fiscal deficits and Fed independence are boosting gold, and the AI buildout needs copper and precious metals. But there’s also an element of speculation. Energy is the best performing sector, up over 20% YTD, despite a negative outlook on oil prices, by far the primary determinant of earnings growth. While there are certainly opportunities within traditionally cyclical asset classes, like investing down the AI supply chain, or in undervalued small cap companies, long-term investors should be skeptical of the broad-based rally.

For other sectors, regulation is weighing on returns. In January, President Trump suggested capping credit card rates at 10%, and CMS proposed keeping 2027 Medicare Advantage rates roughly flat, triggering selloffs in financials and health care, respectively. Defensive value sectors, like consumer staples and utilities, are also finally participating in the bull market. But while, utilities are supported by AI power demand, consumer staples companies are struggling with tariffs, commodity costs and a cautious consumer. Most importantly, this rotation is a lesson in diversification. With the Mag 7 down 6% and software down 30% from its October peak, sector, style and geographic diversification is the seatbelt investors need to stay buckled in on the AI roller coaster.

Source: J.P. Morgan Asset Management, *Weekly Market Recap*, February 23, 2026
[Weekly Market Recap \(jpmorgan.com\)](https://www.jpmorgan.com/weekly-market-recap)

BlackRock's Global Weekly Commentary

New return drivers in Japan, Europe

Key Points

- Other mega forces are driving returns beyond AI. This keeps us overweight Japanese stocks, while we favor pharmaceuticals and financials in Europe.
- The U.S. Supreme Court struck down the use of emergency powers to impose tariffs. The administration is already taking other measures to reimpose them.
- Final euro area inflation data is in focus this week after the ECB held rates steady. We see policy rates on hold through 2026 if inflation slips below 2%.

Markets are laser-focused on the AI buildout, but opportunities shaped by other mega forces abound. Case in point: Japan and Europe are ramping up fiscal spending to boost self-sufficiency amid geopolitical fragmentation. Fiscal expansion is just one reason to gain exposure to this evolving trend. In Japan, sustained corporate reforms underpin our overweight to equities. In Europe, we focus on equity sectors, favoring infrastructure, pharma and financials.

International developed market stocks are outperforming this year, after walloping U.S. counterparts last year. Is it too late to jump in? We don't think so. Japan's return on equity (ROE) has steadily moved higher, narrowing the gap with the U.S. and Europe. See the chart. This is not just a sugar rush from fiscal expansion. It's very much a slow-burn, structural force: A focus on capital discipline and shareholder returns is lifting underlying profitability. Japanese companies are now focused on maximizing profits, rather than minimizing debt. And a steady decline in corporate cross-shareholdings is making Japan more attractive for foreign investors. In Europe, we think overall ROEs will need to improve via productivity gains - rather than being juiced by one-off cyclical boosts. We're focused on sectoral opportunities in the region as a result.

Japan's corporate improvements are taking shape against a benign macro backdrop of strong nominal growth plus fiscal spending. Wages are rising, and the end of deflation has allowed companies to raise prices without losing demand. We see the historic election win for Prime Minister's Sanae Takaichi's Liberal Democratic Party offering continuity and predictability on this front. The LDP's majority supports increased fiscal spending on the economy and national security. That fiscal trajectory sits within the geopolitical fragmentation mega force: it's pushing economies toward capacity building, as nations try to become more self-sufficient. This broadening shift was on display at the recent Munich Security Conference.

Eyeing select sectors in Europe

In Europe, we like sectors that benefit from this increased spending on defense, infrastructure and energy, as we outlined in "What's needed for Europe's investment renaissance." We see sectoral dispersion driving performance. Pharma is a prime example: the segment has solid earnings, low valuations relative to history and growth prospects thanks to AI innovation and a rapidly greying population. Financials are another top pick. Europeans are big savers and policymakers are making it easier for households to invest - a shift also underway in Japan via the Nippon Individual Savings Account (NISA) program - and for companies to raise capital through initiatives such as the EU's Savings and Investment Union (SIU). We see undervalued European financials poised to channel these savings into productive investment.

The key risk: fiscal expansion does not come for free in bond markets. Investors are scrutinizing debt sustainability and demanding more compensation to hold long-duration paper as governments raise strategic spending. That shows up as higher term premia and upward pressure on long-end yields, most visibly in Japan but increasingly relevant elsewhere. Beyond this, higher issuance and stickier inflation can keep long rates elevated. That is why we stay underweight government bonds, particularly at the long end, relative to equities.

Bottom line: Fiscal expansion tied to geopolitical fragmentation is creating return drivers outside of AI. We prefer Japanese equities over government bonds on a combo of corporate reforms and fiscal support. In Europe, we see sector dispersion driving outcomes. We focus on stimulus beneficiaries such as infrastructure, as well as pharma and financials.

Market backdrop

The Supreme Court ruled against the Trump administration's use of emergency powers to impose tariffs, as expected. The decision doesn't change the administration's focus on trade as central to its economic and strategic policy, in our view. The White House quickly moved to use other measures to reimpose tariffs. The S&P 500 added 1% last week. Brent crude oil climbed about 6% to above \$70 per barrel on the U.S. military buildup in the Middle East amid tensions with Iran.

We're watching whether U.S. consumer confidence signals any change in the demand backdrop. We also look to final euro area inflation for evidence price pressures are easing after the European Central Bank held rates steady earlier this month. We expect steady growth and inflation that could drift below 2%. This should keep the ECB on hold in 2026 – a sensible choice given upward pressure on inflation from supply constraints and loosening fiscal policy.

Source: BlackRock Investment Institute, February 23, 2026

[Click here for entire commentary including important disclosures](#)

Thank you,

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Named to the 2025 [Forbes Best-In-State Wealth Management Teams](#) Ranking

Source: Forbes.com (Awarded Jan 2025) Data compiled by SHOOK Research LLC based for the period from 3/31/23–3/31/24. [Awards Disclosures](#)

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