

US tariff landscape changes again, but for the better for Asia

On Friday, February 20, the US Supreme Court ruled that US President Trump’s use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs was unconstitutional. **We view the decision as ultimately beneficial for Asia. It should make arbitrary threat and imposition of tariffs by the US President more difficult** – other tariff facilities generally require lengthy investigations. It also establishes a precedent for challenging tariff justification under law and places jurisdiction for determination of tariff legality solely under the US Court of International Trade.

Trump responded to the Supreme Court decision by invoking Section 122 of the Trade Act of 1974 to impose a 15% across the board tariff on imports of goods from all countries, subject to a list of exclusions.

- Section 122 tariffs do not apply to goods already subject to tariffs imposed under Trade Act Sections 232; the new 122 tariffs do not stack.
- They do not apply to United States – Mexico – Canada Agreement (USMCA) compliant imports from Canada and Mexico.
- They do not apply to over 1000 product lines noted in annexes to Trump’s executive order¹.
- **Most of Asia’s exports into the AI infrastructure boom remain exempt from tariffs thanks to exclusions.**

Globaltradealert.org and The Yale Budget Lab estimate that the **statutory effective tariff rates of most countries (but not all) fall somewhat**. It is important to note that tariff rates based on actual duty collection data have tended to be lower than these statutory rates because of substitution effects and collection inefficiency by US Customs.

Average effective tariff rates imposed by the US, %

	February 19	Current, assuming 15% Section 122 tariff on a full year basis
China	36.8	29.7
Indonesia	23.5	20.3
India	22.3	16.7
Vietnam	21.6	18.8
Thailand	19.4	17.3
Japan	14.9	15.3
Taiwan	14.6	13.3
Korea	12.8	13.4
Singapore	6.7	7.8

Source: Globaltradealert.org



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We see a reasonable chance that overall tariff rates will fall somewhat later this year even as tariff rates on specific sectors and products rise. Section 122 tariffs are constrained to 150 days after which any continuation would need Congressional approval, i.e. a vote in both houses.

Congress appears to be turning increasingly opposed to tariffs. Much of both its business and voter constituencies dislike them. **Recent empirical work suggests that US businesses and consumers have borne about 90% of tariff costs, consistent with the history of studies on tariffs in the past.**

Thus, any requirement to vote to renew the 122 tariffs in late July would be likely to be a contentious political issue ahead of the November mid-term Congressional elections.

How these changes affect trade deals is uncertain. The tariffs in these deals imposed under Sections 232 or 301 stand and have durable legal basis. However, the tariffs imposed under IEEPA are no longer legally valid and cannot be collected by US Customs.

Yet, some countries probably may want to adhere to some elements of their deals with Trump, such as reductions in their tariffs on US products and commitments to investment in the US, to avoid the risk of new trade tension with the US. President Trump still has substantial power to impose tariffs under other Trade Acts:

- Section 232 of the Trade Act of 1962: product or product sector specific; no cap on tariff rate and no time limit but requires that an investigation by the Secretary of Commerce finds that these imports are a threat to national security.
- Section 301 of the Trade Act of 1974: country specific; no cap on tariff rate but requires review after four years and requires an investigation by the US Trade Representative.
- Section 201 of the Trade Act of 1974: product or product sector specific; tariff capped at 50% and requires review after four years. Requires an investigation by the US International Trade Commission.
- Section 338 of the Trade Act of 1930: country specific on a product basis; tariff capped at 50%. Requires the president to assert the country's trade policy discriminates against the US specifically, and, as a result, Section 338 has never been used. Trump may try to invoke this, but its use would be legally questionable, and the precedent of the recent SCOTUS decision suggests a rapid court ruling against its use.

The Trump Administration has a substantial list of products currently under Section 232 investigations and countries under Section 301 investigations, including China. The likely outcome is that Trump will use 232 and 301 tariffs to replace many of the tariffs he had imposed via IEEPA but with much greater complexity.

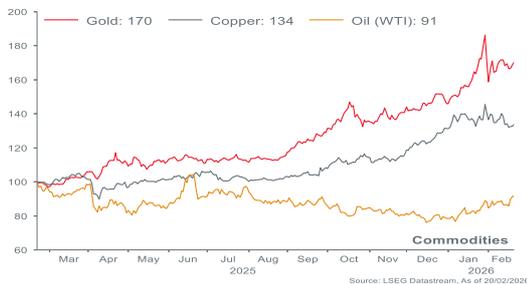
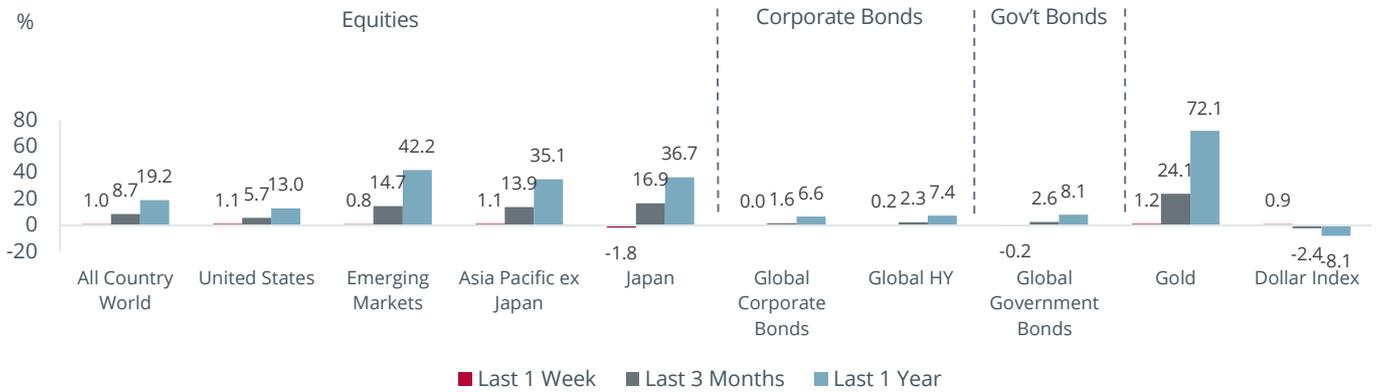
¹. [Annex 1](#) and [Annex 2](#) of Trump's executive order.

Market Review

Global equities ended the week higher led by gains in the US and Europe. The S&P 500 rose 1.07%, and the NASDAQ gained 1.51%. Asia Pacific (ex Japan) equities was up by 1.06%, with Korea outperforming, while Japan edged slightly lower. Global corporate bonds were flat, whilst Global sovereign bonds declined 0.2%.

US Treasury yields moved higher, with the 10-year yield rising to 4.09%. Gold increased by 1.2% over the week, despite the US Dollar strengthening modestly. The Dollar index up 0.9%.

Asset Performance



Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	4.09	0.71	-4.89	-0.46	-9.20	-1.64	4.60	3.95
10 Year Bond Yield (%)								
Japan	2.11	-4.92	-10.08	15.85	46.18	1.69	2.34	1.12
China	1.81	-0.11	0.50	-0.71	6.10	-2.79	1.96	1.63
Australia	4.73	-0.36	-0.88	5.88	4.34	-0.55	4.87	4.10
Singapore	1.96	1.19	-9.78	-1.01	-32.24	-12.06	2.89	1.75
Malaysia	3.52	-0.45	-1.67	2.44	-7.34	0.83	3.80	3.36
Indonesia	6.46	0.76	2.05	5.23	-4.59	5.54	7.21	5.92
	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	95.29	0.03	1.03	0.42	1.64	0.68	95.66	93.25
Bloomberg U.S. Aggregate USD	94.76	-0.15	1.26	0.79	4.18	0.73	94.92	90.43
Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	1,052.97	0.98	3.00	8.72	19.15	3.78	1,055.57	742.96
North America								
US S&P 500 Index	6,909.51	1.07	1.66	5.67	12.95	0.94	7,002.28	4,835.04
US Nasdaq Composite Index	22,886.07	1.51	-0.30	3.66	14.65	-1.53	24,019.99	14,784.03
Europe								
MSCI Europe	2,824.96	1.62	5.17	14.17	28.10	6.89	2,824.96	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	802.25	1.06	6.24	13.85	35.12	11.09	802.93	513.60
Japan Nikkei 225	56,825.70	-0.20	7.24	14.05	46.92	12.88	58,015.08	30,792.74
Shanghai Stock Exchange Composite	4,082.07	-	-0.77	3.84	21.82	2.85	4,190.87	3,040.69
Hong Kong Hang Seng	26,413.35	-0.58	-0.28	2.24	16.99	3.05	28,056.10	19,260.21
Taiwan TAIEX	33,605.71	-	5.81	22.53	43.08	16.03	33,707.83	17,306.97
Korea KOSPI	5,808.53	5.48	18.89	45.04	118.85	37.83	5,809.91	2,284.72
India NIFTY 50	25,571.25	0.39	1.34	-2.37	11.60	-2.14	26,373.20	21,743.65
Australia Stock Exchange 200	9,081.40	1.84	3.01	6.18	9.12	4.21	9,118.30	7,169.20
Indonesia Jakarta Composite	8,271.77	0.72	-9.45	-1.76	21.86	-4.34	9,174.47	5,882.61
Thailand SET	1,479.71	3.45	14.14	15.44	18.79	17.47	1,496.61	1,053.79
Malaysia FTSE Bursa KLSE	1,752.83	0.76	3.16	8.20	11.10	4.33	1,771.25	1,386.63
Philippines Stock Exchange PSE	6,465.12	1.26	1.77	9.01	6.57	6.81	6,591.94	5,584.35
Singapore FTSE Straits Times Index	5,017.60	1.62	3.93	11.21	27.76	7.99	5,024.57	3,372.38
Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	0.07	-0.73	0.48	2.19	12.19	0.30	1.20	1.04
GBP	0.15	-1.22	0.35	3.15	6.43	0.07	1.38	1.26
CHF	0.10	1.09	-1.76	-3.70	-13.57	-2.08	0.90	0.76
JPY	0.05	1.55	-1.96	-1.53	3.62	-1.02	159.12	140.85
Asia								
CNY	-	-	-0.75	-2.92	-4.79	-1.22	7.35	6.90
HKD	0.01	-0.00	0.21	0.41	0.50	0.42	7.85	7.75
INR	-0.35	0.19	-0.43	2.24	4.78	0.95	92.02	84.27
MYR	-0.13	-0.13	-3.75	-6.11	-11.90	-3.85	4.49	3.90
KRW	-0.24	0.39	-2.35	-1.91	1.07	0.38	1,485.83	1,352.45
SGD	-0.13	0.40	-1.34	-3.17	-5.03	-1.50	1.35	1.26
TWD	-0.26	0.28	-0.55	0.47	-3.63	0.53	33.25	28.90
IDR	-0.06	0.21	-0.50	0.81	3.28	1.14	16,945.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 23 February 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts)** Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

Market data: Eastspring Investments, Refinitiv, as at 23 February 2026. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated. Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.



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