

STRATEGY

Rationale for report: Market update

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Tariff relief, uncertainty lingers

Following the US Supreme Court's decision to strike down Trump's broad IEEPA-based tariff framework, Trump pivoted quickly to invoke Section 122 to impose a temporary 15% global import surcharge capped at 150 days. While this may reduce near-term tail risk and support a brief relief bounce, administration-legislature friction is keeping policy noise elevated. We therefore stay risk-averse, as uncertainty has simply shifted from whether tariffs persist to when the next, more durable tariff regime is implemented and how broad its scope will be.

What happened? The US Supreme Court struck down Donald Trump's broad tariff framework previously implemented under an IEEPA-style basis. In response, Trump invoked Section 122 to impose a temporary 15% global import surcharge, capped at 150 days (Congress approval required for extension).

Our take and why we are not chasing the headline:

1. **Policy path remains unclear.** The US "push-and-pull" is now front and center, where major policy actions can be challenged, delayed or reversed. This raises the probability of stop-start outcomes and keeps visibility low.
2. **This is not the end game.** Section 122 is time-limited, while Sections 301 and 232 are widely viewed as the more durable tariff routes. The uncertainty has simply shifted to timing and scope— when the next regime lands and who/what gets targeted.
3. **Real-economy decisions won't unwind quickly.** Even if headline tariffs soften, companies that have already moved toward re-sourcing, onshoring and cost-down programs are unlikely to reverse course quickly amid persistent volatility.
4. **Do markets still find tariffs relevant?** Apart from the KLHEAL and KLTEL index, most sectors are already trading above pre-Liberation Day levels, suggesting incremental upside from tariff relief is less powerful than earlier in the cycle.
5. **Flows limit follow-through.** With cash levels still low at 5.5% of AUM in Dec 2025, incremental buying power is also constrained, with limited dry powder to chase headlines, which caps the durability of any rally.

Quick Take

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