

Look through TRUMP'S *tariff* TANTRUMS

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On Friday 20 February, the US Supreme Court struck down President Donald Trump's use of the International Emergency Economic Powers Act (IEEPA) to levy wide ranging trade tariffs. The decision invalidates the "Liberation Day" schedule and other IEEPA based levies. Within hours, the administration pivoted to Section 122 of the Trade Act of 1974, which allows a temporary, uniform import surcharge of up to 15% for 150 days if the president determines a "large and serious" balance of payments issue. However, Section 122 is constrained: it caps tariffs at 15%, applies universally across countries, expires after roughly five months (unless Congress extends it).

China could offer Trump a face-saving off-ramp

Tariffs serve two immediate goals. First, revenue: they collect cash that can offset or help finance tax cuts in Trump's flagship One Big Beautiful Bill fiscal legislation. Second, leverage: they are negotiating tools aimed at securing sectoral concessions or a broader truce and especially with China. This context is pivotal ahead of the Beijing summit in late March/early April.

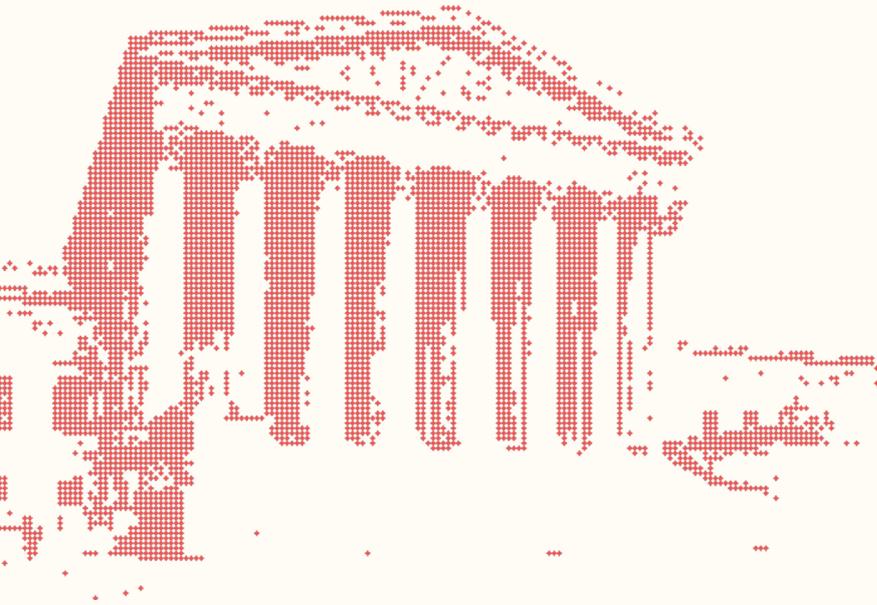
Arguably, the Supreme Court's action strengthens Beijing's hand. Though President Xi may prefer not to provoke President Trump and could use the meeting to dial down geopolitical tensions while allowing Trump to save face following the setback to his tariff agenda.

Trade rising, growth holding, inflation easing

Despite a brief wobble during last April's tariff scare, global trade volumes continued to rise into late 2025 as prices cooled. The World Trade Monitor data show global trade volumes were up more than 5% year-on-year in November, and momentum has been accelerating.¹

On output, the IMF's January update pegs global GDP growth at about 3.1% in 2026, consistent with gentle moderation rather than a stall. Consensus forecasts are similar, with upside linked to data-centre investment in the AI ecosystem.

The inflation outlook looks benign. Bloomberg's economist survey expects global CPI inflation to fall to 3.3% from 4.1% in 2025, largely because crude oil prices are lower and rental inflation continues to ease.



Profits, not politics, are driving markets

Against this macro backdrop, the profit cycle is doing the heavy lifting. Global Earnings Per Share (EPS) growth surged to 14.8% from a year ago in the final quarter of 2025, the best in around 3½ years, with emerging markets (EM) and the US leading.²

EM EPS growth surged to 29% in Q4, the highest rate outside the post-covid boom, against 11% in Q3. Strong EM EPS was led by strong AI-related demand, higher commodity prices (particularly benefiting Latin America) and favourable base effects after weak Q4 2024 results.²

In the US, S&P 500 earnings growth edged up to around 14% from a year ago, with breadth improving: 8 of 11 sectors posted growth. Importantly, broadening has not come at the expense of tech companies, with profit margins for overall listed companies up to a record level.²

Lower tariff risks, higher valuations

If anything, the Supreme Court ruling reduces the tail risk of unlimited, arbitrary tariff shocks, channelling actions back into capped, time-limited frameworks or lengthier investigative processes. This should ease investor concerns and support valuation expansion alongside steady growth and policy loosening.

There is room for the global (MSCI ACWI) price-to-earnings multiple to rise. The 12-month forward PE sits at 19 times, well below the Dot-com peak of nearly 25 times in February 2000.¹

Bottom line: Look through tariff noise; stay anchored on profits

President Trump's tariff saga will continue to dominate headlines, but the more important story is the strengthening global earnings cycle. The latest reporting season shows re-acceleration and broadening in profits, supported by steady growth and easing inflation. Global equities should perform well in this environment. Investors would be better served focusing on earnings momentum rather than reacting to tariff noise from the White House.

Risk warnings

The value of your investment and the income derived from it can go down as well as up and you can get back less than you originally invested.

Past performance is not a guide to future performance

Speak to us

Source

¹ LSEG Datastream / Evelyn Partners as at 23 Feb 2026

² Deutsche Bank, Q4 2025 Global Earnings takes: Tech and emerging markets lead.
13 Feb 2026.

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