

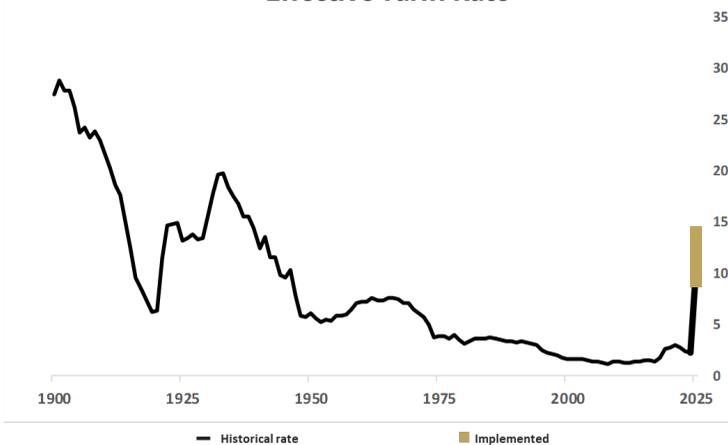
Tariff Turbulence Ahead

Although the Supreme Court is often unpredictable, last week's arguments signaled broad skepticism toward the Trump Administration's reliance on the International Emergency Economic Powers Act (IEEPA) as the legal basis for imposing the broadest and highest tariffs in nearly a century. Court watchers expect a ruling against the Administration in December. Importantly, the case concerns the so-called reciprocal tariffs announced on Liberation Day and revised several times since; it does not address sector-specific tariffs imposed under other statutes.

Even if the Court rules that IEEPA cannot serve as the basis for these tariffs, higher tariffs are unlikely to disappear. The Administration would almost certainly pivot to Section 301 of the Trade Act of 1974, which authorizes tariffs against trading partners engaged in unfair practices. However, Section 301 requires formal investigations and public input—a process that could take months. As a stopgap, the Administration may invoke Section 122, permitting temporary broad-based tariffs of 10–15% until 301 investigations conclude.

While the Supreme Court may require the Administration to change its course, the destination appears the same: an effective tariff rate of about 15%, a rate not seen since 1938. Meanwhile, expect businesses to shift their strategies as the path toward higher tariffs shifts. Those able to front-load their imports during the months ahead will likely do so, adding a short-term boost to economic growth.

Effective Tariff Rate



Sources: Nicole Gorton-Caratelli & Rana Sajedi. "US INSIGHT: The Tariff Shock that Cried Wolf? Not Quite." Bloomberg. October 7, 2025. Maeva Cousin, Nicole Gorton-Caratelli, & Chris Kennedy. "GLOBAL INSIGHT: The End of 'Tariff Man' Trump? Not So Fast." Bloomberg. October 11, 2025.

Economy

Last Week
U.S. Government Data Releases Are Affected by Shutdown

- ISM Manufacturing (Oct.): 48.7 vs. 49.1 one month prior

- ISM Services (Oct.): 52.4 vs. 50.0 one month prior

- U of Mich Sentiment (Nov. P): 50.3 vs. 53.6 one month prior

This Week
- NFIB Small Business Optimism (Oct.): 11/11

- Consumer Price Index: 11/13 - delay likely

- Retail Sales (Oct.): 11/14 - delay likely

- Producer Price Index (Oct.): 11/14 - delay likely

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6832	-0.26	2.26	17.41	15.42	21.42	15.57
S&P 500 Growth	5013	-0.81	2.98	23.06	23.75	26.93	16.37
S&P 500 Value	2063	0.42	1.39	11.20	5.78	14.63	13.75
FTSE High Dividend Yield*	511	0.95	0.00	12.72	9.39	11.87	13.38
S&P Small and Mid Cap	18129	0.75	0.14	5.43	-0.37	9.60	10.44
MSCI EAFE	2799	0.13	1.31	27.49	23.67	17.19	10.38
MSCI EM	1400	-0.69	4.13	33.48	26.71	17.71	6.48

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD													
				IT	Comm. Serv.	Utilities	Industrials	Financials	Materials	Health Care	Cons. Discr.	Real Estate	Energy	Staples			
S&P 500	22.3	15.5	1.2	30	25	20	15	10	5	0	0	0	0	0	0	0	0
S&P 500 Growth	27.6	17.5	0.6	25	20	15	10	5	0	0	0	0	0	0	0	0	0
S&P 500 Value	18.1	13.6	1.9	20	15	10	5	0	0	0	0	0	0	0	0	0	0
FTSE High Dividend Yield*	13.3	13.0	3.9	15	10	5	0	0	0	0	0	0	0	0	0	0	0
S&P Small and Mid Cap	15.0	15.4	1.8	10	5	0	0	0	0	0	0	0	0	0	0	0	0
MSCI EAFE	15.5	13.5	2.9	5	0	0	0	0	0	0	0	0	0	0	0	0	0
MSCI EM	13.4	11.2	2.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.35	0.06	0.60	6.77	5.79	4.92	-0.23
U.S. Int. Gov/Credit	3.96	0.09	0.49	6.23	6.15	5.05	0.97
U.S. Corporates	4.85	0.08	0.23	7.12	5.66	6.70	0.28
High Yield	6.79	0.14	0.14	7.37	7.29	10.04	4.84
Municipals (1-10)	2.99	0.06	0.55	4.70	4.63	4.21	1.32

Key Rates	Last	1 Wk Ago	Levels (%)				
			Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.59	3.58	3.61	4.24	4.34	4.33	0.18
10-yr Treasury	4.12	4.09	4.15	4.57	4.43	3.81	0.98
30-yr Treasury	4.71	4.67	4.73	4.78	4.57	4.05	1.74
SOFR	3.93	4.00	4.24	4.49	4.60	3.78	
6-mo. CD rate	3.88	3.88	3.94	4.33	4.51	4.95	0.25
Prime Rate	7.00	7.00	7.25	7.50	7.75	7.00	3.25
30-yr fixed mortgage	6.28	6.25	6.36	7.28	7.32	6.91	3.02

