
Weekly Market Flash

If Not One Thing, Then Another

May 30, 2025

Keeping up with the financial news is a tall order in this Year 2025 of the Common Era, which will almost certainly enter the logbooks of history as the Year of Uncertainty. Consider the week that is ending today. It started off, well, just fine, as far as things go these days. Those nasty 50 percent tariffs on goods imported from the European Union that the administration had announced just last Friday were, surprise of all surprises, delayed from a June 2 commencement to July 9. That nice little Memorial Day weekend treat got markets off on solid footing as the week got underway.

Or Was It All Just a Dream?

An actual surprise (as opposed to the government backing away from previously announced tariffs, which at this point should surprise absolutely nobody) came on Thursday morning with the announcement that the US Court of International Trade (did you know that this was a thing prior to Thursday?) had issued a ruling that the government could not use the Emergency Economic Powers Act to unilaterally implement tariffs without Congressional approval. As in – the base line 10 percent tariffs on everyone that were the remnant of the April 2 “Liberation Day” rates, along with the 25 percent hit to otherwise non-compliant goods from Mexico and Canada, and additionally the incremental tariffs on China – were all beyond the reach of the White House’s authority and were to be scrapped. Investors around the world resembled nothing so much as Dorothy, waking up in her bed on the Kansas prairie, staring at Auntie Em and asking, was this all just a dream?

Not so fast, of course, as nothing in Year 2025 can ever simply just be. By the end of the day yesterday an appeals court had issued a stay on the USCIT ruling, meaning that the administration could continue collecting tariffs for now while the US Court of Appeals for the Federal Circuit reviews the lower court’s decision. Which could mean...anything from a green light to an outright ban to a “this is okay, but that is not okay” parsing of the potpourri of tariffs. For businesses trying to plan their strategies, for the poor beleaguered officials whose job it is to actually collect and document tariffs (yes, there are people who do this for a living, and they all deserve some kind of public service medal for their efforts to stay sane when this is all said and done), the uncertainty continues.

899, Not So Fine

And then there was this nugget, buried in the thousand-page tax bill trying to make its way through Congress, that intrepid sleuths dug out for public consideration just this morning: a tax surcharge on foreign investors deemed to be citizens of a country with “unfair tax policies” – a designation encompassing everywhere from most of the EU to Australia, the UK, Canada and elsewhere. Investors from these countries, according to Section 899 of the “big, beautiful bill,” would pay additional taxes of 5 percent per year, up to a maximum of 20 percent, on dividends and interest from US stock and bond holdings (potentially including US Treasuries though the language on this is not clear in the bill).

In other words, for example, a foreign-owned company that wants to avoid punitive tariffs by investing in production facilities in the US could now be punished for that investment in the form of additional taxes on earnings flowing back to the home country. Which seems like a very strange way to reward companies doing what the administration appeared to want them to do in the first place – export less and build more

here. This also comes at a time when, as we discussed at length in our commentary last week, the financial position of the US is more reliant than ever on foreign creditors buying our debt. Particularly long-term debt, where demand around the world is slacking and the bond vigilantes are riding high. Weaker demand for US debt will, all else being equal, raise interest rates, which will increase the amount the government spends on interest payments, which is already more than it spends on defense, Medicare and Medicaid.

Will Section 899 make it through all the sausage-making that will take place between now and the bill's final form? Plenty of evidence continues to suggest that when the market speaks in a loud and unhappy voice, this administration backs off. The market – and its media mouthpieces – are speaking. The Economist magazine observes that Section 899 “would render America all-but-uninvestable for many foreigners.” Uninvestable is normally a term we associate with rickety frontier markets, not the 80 years-plus epicenter of global finance. Our policymakers need to deep-six 899 before it sees the light of day.

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