

# US DEFENSE & WEAPONS MANUFACTURERS

*Listed on US Stock Exchanges*

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Missiles · Aircraft · Drones · Nuclear Systems · Electronic Warfare

# WHY DEFENSE STOCKS NOW?

**\$924.7B**

US Defense  
Authorization Act 2026

**\$1.5T**

Trump target  
by 2027

**+9.4%**

Global defense  
spending 2024

**5%**

NATO GDP  
target by 2035

- US weapons stockpile significantly depleted — 2026 contracts focused on restocking missiles and munitions
- Iran war driving record demand: Tomahawk, AMRAAM, PAC-3, THAAD systems all being consumed at pace
- NATO allies pledged to raise budgets from 2% to 5% of GDP — hundreds of billions in new annual spending
- Defense innovation shifting to high-tech electronics, sensors, drones and AI — margin-rich R&D contracts
- VIX at 91st percentile = elevated implied volatility = premium-rich options environment for this sector

# LARGE-CAP PRIME CONTRACTORS

## Lockheed Martin

LMT

NYSE

F-35 fighter · PAC-3 MSE interceptors · THAAD · HIMARS · Javelin · JASSM cruise missiles · Next Generation Interceptor (NGI)

*World's largest defense contractor · \$68.4B revenue 2024 · Recent all-time high \$676*

## RTX Corporation

RTX

NYSE (fmr. Raytheon)

Patriot air defense system · Tomahawk cruise missiles · AMRAAM air-to-air · SM-3 / SM-6 · StormBreaker · Stinger MANPADS

*\$43.6B defense revenue 2024 · Just expanded missile facility +50% capacity · Surged 55% past year*

## Northrop Grumman

NOC

NYSE

B-21 Raider stealth bomber · LGM-35 Sentinel ICBM · Global Hawk drones · Integrated Battle Command System (IBCS)

*\$41.03B revenue 2024 · 87% from US federal contracts · Morgan Stanley target \$765*

## General Dynamics

GD

NYSE

Abrams M1 tank · Virginia-class submarines · Stryker armored vehicles · ordnance & munitions systems · Gulfstream for military

*Diversified: combat vehicles + shipbuilding + business jets · Consistent dividend grower*

# LARGE-CAP PRIME CONTRACTORS (CONT.)

## Boeing Defense

BA

NYSE

F/A-18 Super Hornet · Apache attack helicopter · Harpoon anti-ship missiles · Autonomous undersea vehicles · Space Launch System (SLS)

*Defense = ~1/3 of total revenue · Ongoing commercial recovery · Strong government pipeline*

## L3Harris Technologies

LHX

NYSE

Tactical radios & comms · Electronic warfare systems · Missile solutions division · ISR aircraft · Precision weapons guidance

*CEO & peers attended Pentagon meeting on Iran war replenishment orders · Large classified backlog*

## KEY INSIGHT — RESTOCKING CYCLE

The US weapons stockpile has been severely depleted through active operations in Ukraine, Israel, and now Iran. Many 2026 contracts are focused on replenishing old weapons rather than developing new ones — providing sustained, high-margin, multi-year revenue for all prime contractors. Defense innovation is simultaneously shifting to high-tech electronics, sensors, and AI — where margins on R&D are significantly better than on commodity munitions.

# MID-CAP SPECIALISTS

## AeroVironment

AVAV

### Drones & Loitering Munitions

Switchblade loitering munitions ('suicide drones') · Raven & Puma small drones · Wahoo undersea systems

*Modern battlefield weapon of choice — cheap, expendable, precision. Contract wins move stock significantly.*

## Kratos Defense

KTOS

### Combat Drones & Missile Defense

UTAP-22 Mako affordable combat drone · Hypersonic target drones · Satellite comms · Command & control systems

*Next-gen affordable drone thesis. Smaller cap = larger % moves on contract announcements.*

## Textron

TXT

### Military Helicopters & Precision Weapons

Bell V-22 Osprey · AH-1Z Viper attack helicopter · Sensor Fused Weapon (CBU-97) · Shadow tactical drones

*Diversified defense + commercial aviation. Bell helicopters critical to US military rotorcraft fleet.*

## BWX Technologies

BWXT

### Naval Nuclear Systems

Naval nuclear reactors (SOLE supplier to US Navy) · Nuclear missile launch systems · Components for submarines & carriers

*No competition — monopoly supplier to the Navy. Defensive moat. Less volatile than pure-play weapons makers.*

## Leidos Holdings

LDOS

### Defense IT & Autonomous Systems

Ghost Shark autonomous submarine · Classified intelligence systems · Electronic warfare · Defense IT networks

*Large-scale classified backlog. Growing hardware arm alongside IT core. Expanding into autonomous undersea.*

## Moog Inc.

MOG.A

### Missile Guidance & Flight Control

Precision guidance for missiles & smart bombs · Flight control actuation systems · Military satellite positioning

*Picks-and-shovels play — inside nearly every missile system. Consistent revenue across all prime contractors' programs.*

# OPTIONS STRATEGIES — DEFENSE SECTOR

01

Bullish · Long-term

## LEAPS Call — LMT / RTX / NOC

Buy Jan 2028 call, delta 0.70–0.80, strike ATM or slightly OTM. Multi-year defense spending thesis. Low leverage cost vs. owning stock outright.

⚠ Check IV Rank — if elevated, premium expensive. Target IV Rank below 50 per EAP rules.

03

Neutral-Bullish · Income

## Cash-Secured Put — LMT / NOC

Sell OTM put 5–10% below market. 30–45 DTE. Elevated VIX inflates premium — collect richer income or secure a lower effective entry price if assigned. *Don't have capital to buy shares if assigned. Don't sell puts on stocks you wouldn't own.*

05

Bearish · Hedging

## Bear Call Spread — Airlines / Cruise

Sell OTM call, buy further OTM call. 30–45 DTE on AAL, UAL, CCL. Oil shock is structural headwind for these names. Premium-rich environment aids sellers.

⚠ Close if oil drops sharply — these stocks recover fast on oil relief rallies.

02

Bullish · Defined Risk

## Bull Call Spread — XOM / CVX / RTX

Buy ATM call, sell OTM call 1–2 strikes higher. 60–90 days expiry. Defined downside if oil/defense reverses. Reduces premium cost vs. outright call.

⚠ Max profit capped at short strike. Best used when moderately bullish, not strongly so.

04

Neutral-Bullish · Credit

## Bull Put Spread — NVDA / AVAV / KTOS

Sell OTM put, buy further OTM put as protection. 30–45 DTE. Collect premium while staying below current price action. Great for AI/defense crossover names.

⚠ Defined max loss at width of spread minus credit received. Manage if tested.

06

Volatile · High Risk

## Earnings Straddle — MU (Micron)

Buy ATM call + ATM put expiring just after earnings. MU reports this week. High IV, large expected move. Profits if stock moves beyond the combined premium cost — earnings destroys both legs if move is insufficient. Experienced traders only.

# DEFENSE ETFs — DIVERSIFIED EXPOSURE

## ITA

iShares US Aerospace & Defense ETF

*Market-cap weighted · ~\$7B AUM*

**Top Holdings:**

RTX, LMT, NOC, GD, BA

*Broadest, most liquid defense ETF. Dominated by large-cap primes. Low expense ratio. Best for core position.*

## XAR

SPDR S&P Aerospace & Defense ETF

*Modified equal-weight · ~\$2B AUM*

**Top Holdings:**

KTOS, AVAV, BWXT, LMT, NOC

*Equal-weight approach gives more exposure to mid-cap specialists. Better upside potential if smaller names run.*

## SHLD

Global X Defense Tech ETF

*Global defense tech · Strong 2025–26 inflows*

**Top Holdings:**

LMT, RTX, GD, Rheinmetall, Palantir

*Includes European defense (Rheinmetall, BAE) + Palantir's AI defense angle. Returned ~72.8% since early 2025.*

ETFs vs. Individual Stocks: ETFs reduce single-stock contract risk but dilute upside on breakout names like KTOS or AVAV. For RTC members — consider ETF as a core position + individual stock options plays on top for leverage.

# RISK REMINDERS

**01** IV is ELEVATED — VIX at 91st percentile means options are expensive. Premium sellers (CSPs, credit spreads) are rewarded. Buyers pay up, so choose expiry and strike carefully.

**02** Many defense stocks have already moved significantly since the Iran conflict began. Don't chase — wait for pullbacks or use defined-risk structures with EAP position sizing rules (2% max).

**03** Check IV Rank before any LEAPS entry. EAP rule: IV Rank must be below 50. Energy stocks and some defense names may currently be too hot for LEAPS — wait for IV to normalize.

**04** FOMC Wednesday (March 18) is a binary risk. Stay cautious into the announcement. Look for direction post-Powell 2:30pm ET — the dot plot is the real market mover, not the rate decision itself.

**05** Oil reversing sharply would hurt energy and potentially defense (risk-off unwinding). Keep stops or hedge with index puts if holding large sector concentration.

# DEFENSE SECTOR SUMMARY

6 large-cap primes: LMT, RTX, NOC, GD, BA, LHX — all NYSE listed, all with Iran war tailwinds

6 mid-cap specialists: AVAV, KTOS, TXT, BWXT, LDOS, MOG.A — higher beta, options-friendly

3 ETFs: ITA (broad), XAR (equal-weight), SHLD (global) — for diversified exposure

Best options plays: LEAPS on LMT/RTX/NOC, Bull Call Spreads, CSPs, credit spreads on primes

Iran war = sustained multi-year restocking cycle — this is not a short-term trade