

# [***Chinese Spy Balloon Graphic Reminder Of Geopolitical Market Risks Here s What It Means For Stocks***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:67JT-JM41-DXVP-50MN-00000-00&context=1516831)

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**Length:** 650 words

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**Highlight:** The four largest U.S. defense contractors have tacked on $24 billion in market cap since the U.S. shot down a Chinese spy balloon.

**Body**

**Topline**

The Chinese spy balloon shot down off the coast of South Carolina last week and a subsequent firestorm around three other unidentified objects in North America pose a graphic reminder of the fluid and unpredictable world that investors would be foolish to ignore, according to Bank of America, which recommends investors target large-cap defense stocks amid a turbulent geopolitical climate.

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Ado about the Chinese spy balloon presents an investing opportunity, according to Bank of America.

NurPhoto via Getty Images

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**Key Facts**

Bank of America Private Bank s Joseph Quinlan and Lauren Sanfilippo wrote in a Tuesday note to clients they are bullish on the stocks of U.S. defense contractors, explaining investors must have their eyes wide open to overhanging geopolitical risks and position portfolios accordingly.

Wall Street has already piled into these large-cap defense stocks, with shares of thefour largestU.S. military contractors Lockheed Martin (4%), Raytheon (4%), Boeing (5%) and Northrop Grumman (5%) each outperforming the S&P 500 since the U.S.shot downthe Chinese balloon February 4.

But not all agree that there s a stock play from the hoopla: Morningstar analyst Nicolas Owens told**Forbes**in emailed comments Monday he s hard pressed to see an angle [for] any of the defense stocks.

Owens noted that though military technology,such asLockheed Martin s F-22 Raptor fighter jet which downed the infamous balloon, are having a moment, there s no investable opportunity whatsoever given the technology is far from new.

Nevertheless, Bank of America cautions geopolitics could rattle markets in either direction, noting the possibility of conflict between China and Taiwan, combined with escalating bloodshed between Russia and Ukraine, "represents a combustible configuration that could upend growth and torpedo global earnings," while a ceasefire or peace framework could be "hugely bullish."

**Crucial Quote**

The recent events will contribute to a more positive narrative for defense stocks, RBC Capital Markets analyst Ken Herbert told**Forbes**, singling out General Dynamics, L3Harris, Lockheed Martin, Northrop Grumman and Raytheon stocks. The attention toward geopolitical tumult should help with the outlook for defense spending even with congressional ***politics*** and the recent uncertainty associated with the debt ceiling, Herbert said.

**Key Background**

The balloonenteredAmerican airspace January 28, traveling from Alaska to the Atlantic Ocean over the course of a week. Atrioof other, still unidentified objects were shot down over the U.S. and Canada this weekend. The White House hasruled outextraterrestrial origins for the latest aircraft and said there isn t evidence they are of Chinese origin, suggesting the three objects were likely for some commercial or benign purpose. BeijingvowedWednesday to take unnamed countermeasures against the U.S. for popping its balloon.

**Surprising Fact**

Aerospace and defense was already one of the best-performing sectors in the stock market prior to the balloon fiasco, gaining 8% over the last 12 months compared to the S&P s 8% loss in the timeframe, coinciding with Russia s ongoing invasion of Ukraine. The war in eastern Europe remains a key known unknown a wild card that could have an outsized influence on asset prices over the medium term, according to Quinlan and Sanfilippo.

**Big Number**

$24 billion. That s how much market capitalization the four largest U.S. defense contractors have gained since the downing of the Chinese spy balloon.

**Further Reading**

Aliens Weren t Behind Most Recent Flying Objects, White House Says But Still Unclear Who Was(**Forbes**)

U.S. Tracked Spy Balloon From Time It Left China Days Earlier Than Previously Known, Report Says(**Forbes**)

The Spy Balloons Are Just The Start: Venture Capital Joins Pentagon In Spending Big To Thwart China In Quantum-Tech War(**Forbes**)

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