**Who Benefits most from conflicts?**

You, and I, should not be surprised that defense contractors benefit from conflict. We were warned by President David Eisenhower about the “military industrial complex.”

Recent media has reported that profits at Lockheed Martin, Raytheon Technologies and Northrop Grumman have been positive and all forecast better profits in the future. These sound like good stocks to own.

In the current tensions over Taiwan and China, our arming Taiwan increases the likelihood of Chinese military invasion as their “hawks” want to take Taiwan before it gets to much stronger.

Our post historian, a long time China watcher, believes that as long as the Chinese Communist Party (CCP) is run by civilians who all have PhDs devoted to the economic success of China, China should not want to start a war as long as they believe that it means a war with America. We already have dozens of military consultants on Taiwan, and we have verbally committed to send many more troops if we believe China will invade the island.

With so many domestic problems in most countries, including China and America, who needs a major conflict? Conflicts will make domestic problems even more disruptive.

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**Lockheed Forecasts Growth In Sales as War Lifts Orders**

**BY DOUG CAMERON, *The Wall Street Journal* | Page B003,19 July 2023**



**Lockheed Martin** said it expects to resume growth this year, reversing its earlier prediction that sales would shrink despite the war in Ukraine and rising global military budgets.

Sales and profit in the second quarter beat expectations among analysts polled by Fact-Set, and the company raised its full-year guidance for both. Other defense companies, including **RTX ,** formerly known as **Raytheon Technologies**, and **Northrop Grumman ,** report results next week.

The world’s largest defense company reported net profit of $1.68 billion for the three months ended June 30 compared with $309 million a year earlier, the latter weighed by a charge on a classified program.

Sales rose 8% to $16.7 billion in the quarter, lifted by big orders for its F-35 combat jet and GMLRS and Himars missiles.

Full-year sales are forecast to rise as high as $66.75 billion, up 1.5% at the midpoint from Lockheed’s prior guidance in April, which would top the $66 billion generated in 2022.

Lockheed shares slid 3% in Tuesday’s trading. Other defense stocks also fell. The sector has been out of favor with investors this year as lingering supply-chain and inflation pressures affect profit margins.

**Lockheed Martin has benefited more than most peers from the Ukraine conflict, with more countries buying the F-35 and Patriot missile-defense system, as well as rockets and launchers.** Its total outstanding orders are a record $158 billion. The order backlog at its missiles and fire-control unit rose $9 billion during the quarter to $34 billion, though this will take months or even years to translate into sales. Operating profit fell 11% in the quarter on flat sales during the period.

**Falling profit margins indicate that defense contractors are still wrestling with supply-chain problems and labor shortages, as well as the lingering impact of inflation.**

**The Pentagon has awarded $16 billion in Ukraine-driven contracts since Russia’s invasion last year, with Lockheed and RTX claiming the largest portion.**

The F-35 accounts for 30% of company sales and orders have been buoyant, but the program remains dogged by problems.

The Pentagon has frozen accepting new F-35 deliveries until Lockheed Martin catches up installing and testing upgrades to the aircraft’s sensors and weapons systems.

Lockheed Martin expects to deliver 100 to 120 jets this year, down from the 156 previously planned. It hopes to reach that level in 2025.

The defense company beat analyst estimates for the latest quarter and lifted its guidance.