Biden’s defense plan and some stocks set to benefit

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Yesterday marked a turning point in US history as President Joe Biden was inaugurated as the 46th President of the United States. Much of the focus has been on Biden’s policies regarding an American Rescue Plan and Biden’s $2 trillion green infrastructure and jobs plan; however today I take a look at Biden’s defense plan and what it means for the sector, including the defense metals companies.

Biden was a member of the Senate Foreign Relations Committee for 12 years. In that time Biden helped shape U.S. foreign policy on terrorism, weapons of mass destruction, the Middle East, Southwest Asia, and the end of apartheid. Biden favors nuclear de-escalation and has promised to renew New START, the New Strategic Arms Reduction Treaty. A key summary of what Biden will do is stated by Defense News:

“**To affordably deter Russia and China**, **Biden said he would shift investments from “legacy systems that won’t be relevant” to “smart investments in technologies and innovations – including in cyber, space, unmanned systems and artificial intelligence**.”

US cybersecurity

The leading cybersecurity ETF is the ETFMG Prime Cyber Security ETF (NYSE Arca: HACK). Top holdings of interest include CrowdStrike Holdings (NASDAQ: CRWD), Zscaler (NASDAQ: ZS), and FireEye (NASDAQ: FEYE).

Space

The iShares U.S. Aerospace & Defense ETF (CBOE: ITA), SPDR S&P

Aerospace & Defense ETF (NYSE Arca: XAR), Procure Space ETF (NASDAQ: UFO) and the SPDR S&P Kensho Final Frontiers ETF (NYSE Arca: ROKT) are four ETFs that broadly cover aerospace and some defense stocks. Maxar Technologies (NYSE: MAXR) is a key holding in three of these ETFs. Maxar specializes in manufacturing communication, earth observation, radar, and on-orbit servicing satellites, satellite products, and related services. Some other key aerospace and defense stocks include Northrop Grumman (NYSE: NOC), Lockheed Martin Corporation (NYSE: LMT), and Boeing (NYSE: BA).

The Procure Space ETF (UFO) summary of exposure to space related industries

Source

Unmanned systems (including unmanned aerial vehicles (UAVs))

UAVs are increasingly being used by the military for surveillance and other operations such as border patrolling, combating terrorism, and intelligence gathering ('spying'). The largest UAV companies by market share include Northrop Grumman Corporation, General Atomics Technologies Corp. (private), Boeing, Textron Inc. (NYSE: TXT) and AeroVironment Inc. (NASDAQ: AVAV). Boeing is growing in military drones/UAVs with several US Defense contracts including the Airpower Teaming System ("Loyal Wingman") military UAV. It will use artificial intelligence to fly alone or with other aircraft.

An unmanned Aerial Vehicle (UAV) patrolling the earth

Source: iStock

Artificial intelligence *(AI)*

AI stocks involved in security (facial and voice recognition etc), UAVs/drones, autonomous vehicles, space technology, and the defense sector in general stand to be the winners. Elon Musk's SpaceX and Tesla (NASDAQ: TSLA) are rapidly becoming global leaders in AI.

***Defense metals* stocks**

Generally speaking the rare earth magnet metals, uranium (for nuclear weapons etc), and key critical materials companies (cobalt for jet engines, scandium for lightweighting) have potential to do well.

Defense Metals Corp. (TSXV: DEFN | OTCQB: DFMTF) is an advanced mineral exploration company focused on metals and elements (including rare earths) commonly used in the electric vehicle (EV) market, military, national security and in green energy technologies; such as high strength alloys and rare earth magnets.

IBC Advanced Alloys Corp. (TSXV: IB | OTCQB: IAALF) makes mission-critical metal alloys and produces parts for use in U.S. defense systems, such as the F-35 jet and next-generation nuclear submarines, as well as in multiple commercial applications.

Neo Performance Materials Inc. (TSX: NEO) manufactures advanced industrial materials with a focus on magnetic powders and magnets, specialty chemicals, metals, and alloys. You can read more on them here.

Closing remarks

It is always good to have some defense stocks in your portfolio just in case we get a terrorist event or a deterioration in

relations between the USA and some recent adversaries such as China, Russia, Iran, or North Korea.

Under President Biden defense spending will move towards smarter high tech methods of protecting US security. This means cybersecurity, space (satellites etc), unmanned systems (UAVs) and greater use of AI.

While global tensions are calm it may be the right time to buy into some new economy defense sector names or defense metals suppliers. What’s your favorite Biden defense stock?