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# US defense stocks push ahead of Europe amid Middle East war, reversing trends

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Stock prices for the largest defense sector companies in the US are cumulatively outperforming those of peers in Europe in 2026 as the end of the first quarter nears.

Five of the largest US defense sector companies by market capitalization recorded an average share price increase of 13% this year through March 19, compared with a 2% average gain for the five largest European defense companies, according to data from S&P Global Market Intelligence. This contrasts from 2025, when the European companies' average share price increase of 94% exceeded the 26% average gain among the largest US companies. Europe also significantly outperformed the US in 2023 and 2024.

The trend reversal in the early months of 2026 occurs amid escalating tensions in the Middle East following the joint US-Israeli strikes in Iran in late February. However, global defense stocks in many regions have rallied since 2022 due to other structural tailwinds.

"Broader forces like global rearmament, government spending commitments, supply chain pressures and a shift toward advanced defense technologies are playing a more significant role in shaping stock trends," Stephen Callahan, trading behavior analyst at Firsttrade, said in an interview. "The Iran conflict has acted as a catalyst and

confirmation of existing trends, rather than the primary driver of defense stock performance."

### Defense stock performance since 2022

Click on the chart below to interact with the data.

Instructions for use with screen readers.

The following is a list of keyboard commands available to interact with the chart:

- Table view: Opens chart data in table format. Press (Alt + K).
- Symbol Lookup: Opens main symbol lookup for chart. Press (Shift + Alt + L).

End of instructions.

Events

Events

Events (Help available, press question mark key)

- **SignalIQ**

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- **New Signal**

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- **Chart Events**

- **Simple Square**

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Meanwhile, five of Asia's largest defense sector companies recorded an average share-price increase of 40% this year through March 19 and 57% in 2025. South Korea's Hanwha Systems Co. Ltd. recorded the largest stock price increases in 2025 and thus far in 2026, rising 146% and 150%, respectively. The company's annual

revenue in 2025 grew 31% year over year, though its net profit declined 52%, according to an investor presentation.

"In Asia, performance has been more mixed as some exporters benefit from rising demand, but broader equity markets are more influenced by macro conditions than defense-specific tailwinds," Callahan said.

The five largest defense companies in the Middle East posted an average stock price increase of nearly 59% so far this year. This compares to an average gain of 110% at the start of the most recent Israel-Hamas conflict in 2023 and 164% in 2025.

## Trends in US, Europe

Defense stocks in the US and Europe have both rallied since 2022, coinciding with the start of the Russia-Ukraine conflict and boosted by increase defense budgets and additional geopolitical tensions.

The European defense sector has outperformed the US defense sector since the start of 2022, with the STOXX Europe Total Market Aerospace & Defense Index surging 234% relative to a 131% increase for the US-focused S&P Aerospace & Defense Select Industry Index as of March 19, 2026. In 2025, the European index's gain of 57% exceeded the US index's gain of 46%.

However, the trend has flipped so far in 2026, with the US index up 11% through March 19, compared with a 3% gain for the European index.

"Though funds holding European defense stocks have outperformed in recent years, they have been weaker in recent months," Scott Sacknoff, president of SPADE Indexes and index manager of the SPADE Defense Index, said in an interview. "Gains in certain stocks bought on the news of higher defense spending have led to some investors waiting to see if the contract activity leads to increases in revenues and profits that justify the new multiples in share prices."

Meanwhile, the upside for US defense stocks is likely to persist this year regardless of the timeline of the current conflict in the Middle East.

"Valuations will continue to be buoyed by strong support for defense spending increases from the Trump administration and the general global geopolitical risk

across multiple regions," Andre Madrid, vice president and aerospace and defense analyst at BTIG, said in an interview.

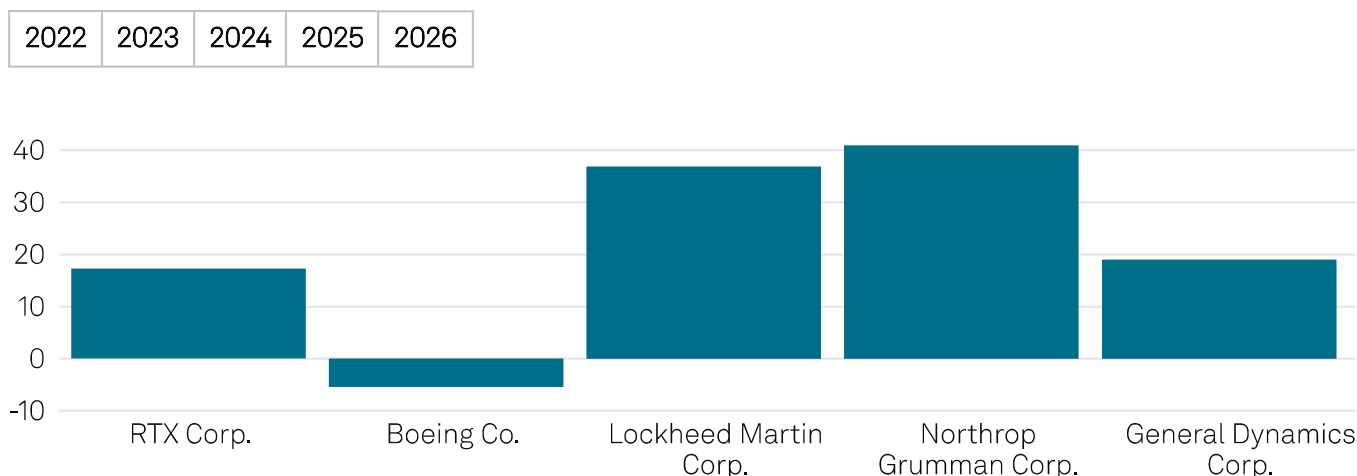
The broader US defense sector will also benefit from the US government's push to develop more resilient defense supply chains, diversify suppliers and integrate new technologies and software into its procurement, Madrid said.



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 To navigate to the next chart, please click the arrows above

## Stock price performance of the largest military defense companies in US, 2022–2026\*



Data compiled March 20, 2026.

\* Year-to-date as of March 19, 2026.

\* Average represents the simple average of the annual stock price change of the top 5 companies.

Analysis includes share price change of the largest military defense companies headquartered in the US, selected based on primary industry classifications including infantry weapons, defense electronics, guided missiles and components, light weapons and ammunition, military aircraft, military armored vehicles, submarines, and rockets and subsystems.

Largest companies are determined by market capitalization as of March 5, 2026.

Source: S&P Global Market Intelligence.

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Shares of Lockheed Martin Corp. climbed 32% this year through March 19, leading the five largest US defense companies. The company ended 2025 with a record order backlog of \$194 billion and reported a 6% increase in year-over-year sales, Chairman, President and CEO James Taiclet said during a January earnings call.

Lockheed Martin's stock price rose nearly 3% on March 2, the first trading day after the joint US-Israeli strikes in Iran.

Northrop Grumman Corp.'s stock price followed Lockheed Martin, rising 25% through March 19. The company's shares rose 6% on March 2.

In Europe, Germany's Rheinmetall AG led the region's largest defense companies with a stock price increase of 188% in 2025. However, the UK's BAE Systems PLC leads this year with a 34% gain through March 19, while Rheinmetall's shares are down 3%.

Charles Woodburn, BAE Systems' group CEO and executive director, said the company was well positioned to provide systems and technologies "in a new era of defense spending, driven by escalating security challenges," according to an earnings report statement Feb. 18.