



## Buy This 1 Stable Defense Stock for an Unstable World

### Description

The year 2020 had an unpleasant start following the death of an Iranian General Qasem Soleimani in a U.S. airstrike. Amid these geopolitical tensions, the trade war between the major economic powers still hot, and the possibility of a major recession on the horizon. Indeed, global tensions show no signs of de-escalating.

This is precisely the reason why investing in good defense stocks such as **CAE Inc.** ([TSX:CAE](#))([NYSE:CAE](#)) is a sound choice for this year.

### Escalating tensions

With the order of an airstrike on one of Iran's most prominent military figures, U.S. President Donald Trump has departed from his earlier policy of lessening America's involvement in foreign affairs. This shift toward military escalation was good news for defense companies, and since Friday, many saw its stocks rapidly jump in value.

One of such companies was CAE Inc, a Canadian aerospace company that provides flight and security simulation product for both military and civilian use. Since Friday, its stocks have seen a sudden increase in value from \$34.3 to \$38.58 at the time of writing.

However, you will benefit more from buying and holding this stock rather than engaging in speculation. As a result of increasing tensions and global uncertainties, defense spending in the past few years have been ballooning.

In 2018, global military spending [saw an increase of 4.9%](#), the largest increase since 2008. Additionally, in the 2020 U.S. government budget proposal, the Pentagon saw its spending increased to US \$738 billion.

Higher global spending coupled with the changing course of modern warfare to be reliant on air superiority and small targeted boots-on-ground operations means that companies such as CAE have strong potential to grow in the next few years.

The numbers back up our claim, as the company had seen a relatively exponential rise in its stock value since 2009 when it was trading at just \$7.2. The next four years saw its stocks grow by 50%, and the four years after that saw an increase of a whopping 160%!

## A dependable defense stock

Investors may also find it welcoming that CAE stocks not only likely promise high returns, but also are highly dependable. This is thanks to the versatility of its core products, which serve as crucial training tools not only for just military personnel, but also those in law enforcement, security agencies, commercial airliner, and more.

Catering to a diverse range of markets makes the company more insulated from the volatility of market conditions.

If, in an extremely unlikely scenario, the world grows more peaceful and leaders around the world decide to cut their defense spending drastically, companies such as CAE could just put their focus on catering more to the non-military sections [such as civilian aviation](#) where demand for its flight simulation products is also quickly growing.

## Summary

While CAE stocks right now are relatively overpriced, trading at \$38.58 with a forward P/E of 26.2, thanks to its strong cash flow, high investor trust and favourable market conditions, the stock is a must-buy for any serious investor.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. TSX:CAE (CAE Inc.)

### PARTNER-FEEDS

1. Business Insider
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