



# Sector Neutral ≠ Immune to Recession Risks

Revealing Macro Exposures

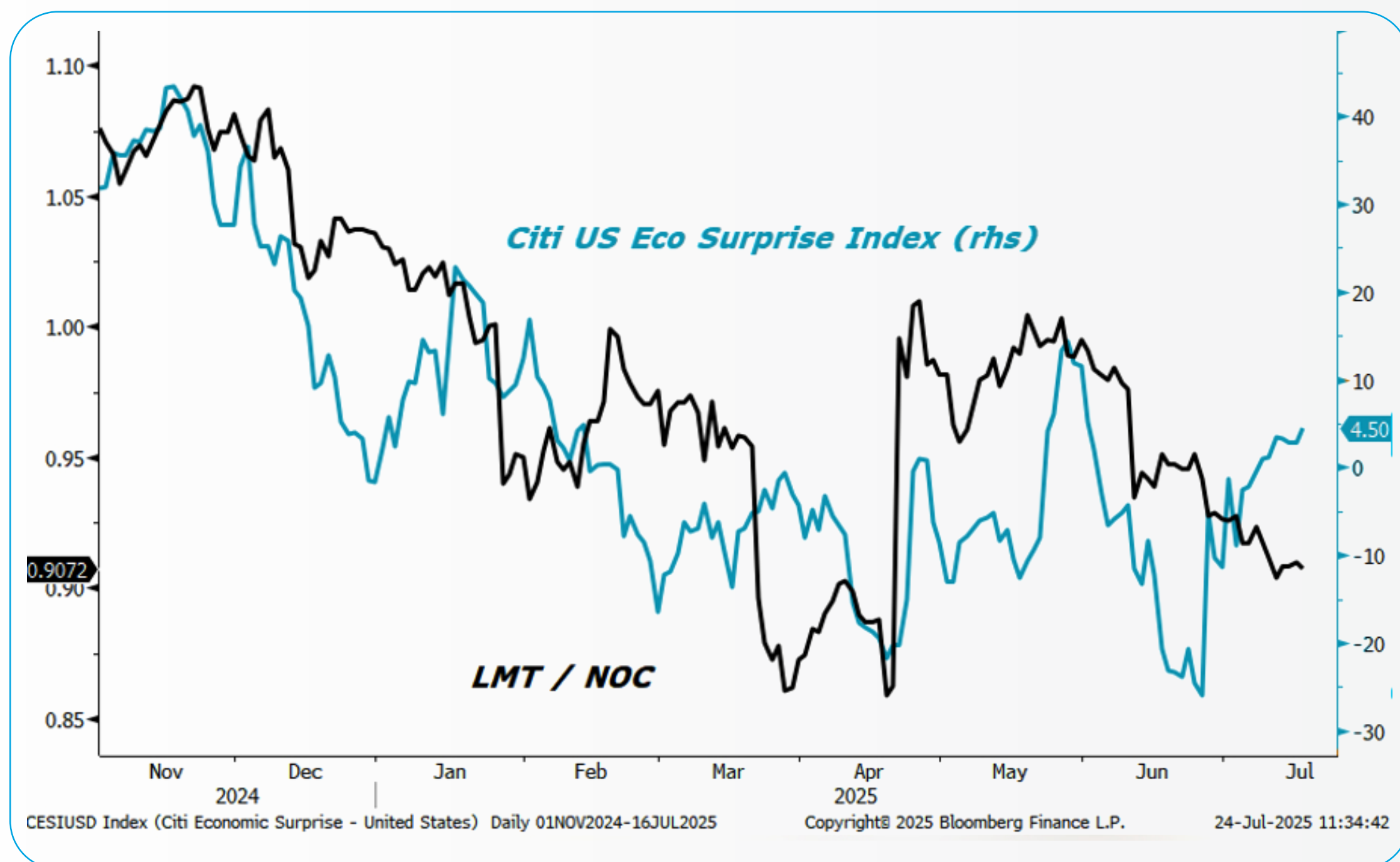




## US Economic Growth

### Industrials – Northrop Grumman > Lockheed Martin if you fear a US recession

- In a stronger growth regime, investors may rotate into defense names with more US fiscal upside, and LMT fits that story better.
- LMT is heavily skewed to US defense spending vs. Northrop's more diverse portfolio; Stronger data may make it easier to authorize more defense spending.





## Consumer Discretionary – Delta Airlines > American Airlines if you fear a US recession

- American Airlines skews more domestic, has higher debt levels and lower margins. Hence, more geared to macro upside. It is a higher beta US consumer cyclical
- Delta being more international with a focus on business / premium travel is likely relatively less geared than American in a strong macro tape

