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WASHINGTON WATCH

Lockheed and Northrop shares dive as Trump says he'll 'not permit' dividends and buybacks in defense sector

President targets executive pay as he calls for faster production and maintenance of military equipment

By [Victor Reklaitis](#) [Follow](#)

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Shares of Lockheed Martin, whose F35-B jets are shown flying over Puerto Rico last year, and other defense companies are falling.

PHOTO: AFP VIA GETTY IMAGES

Referenced Symbols

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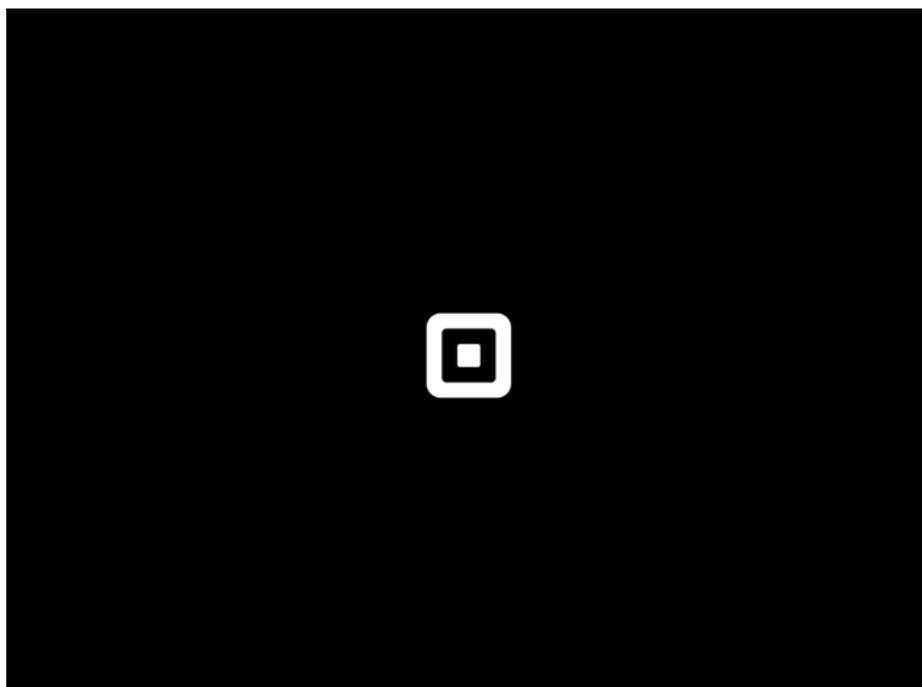
↓ **LMT -0.86%** ↓ **NOC -1.21%** ↓ **HII -1.33%** ↓ **RTX -1.58%** ↓ **BA -0.20%**
↓ **SPX -1.43%**

Shares in defense contractors such as Lockheed Martin and Northrop Grumman slumped Wednesday after President Donald Trump pledged to block the companies' dividends, stock buybacks and what he described as "Over Compensation of Executives" until the sector speeds up its production and maintenance of military equipment.

While the Trump administration has considerable power over big defense contracts, it wasn't immediately clear exactly how the president would block such payouts by independent companies.

Defense stocks dropped sharply after Trump's announcement, which came [in a social-media post](#) shortly after 2 p.m. Eastern time. Lockheed's stock ↓ **LMT -0.86%** closed down 4.8%, as Northrop ↓ **NOC -1.21%** shed 5.5% and Huntington Ingalls Industries ↓ **HII -1.33%** dropped 3%. RTX ↓ **RTX -1.58%**, previously known as Raytheon, pulled back 2.5%. Boeing shares ↓ **BA -0.20%** finished lower by 0.8%, while the broad S&P 500 stock index ↓ **SPX -1.43%** was off 0.3%.

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It would be hard to see how this could be implemented, Jefferies analyst Sheila Kahyaoglu said in a note. It also would cast a cloud over defense stocks following their recent run and is “contradictory” to supporting the industry, she added.

“Defense Contractors are currently issuing massive Dividends to their Shareholders and massive Stock Buybacks, at the expense and detriment of investing in Plants and Equipment. This situation will no longer be allowed or tolerated!” Trump wrote.

“Also, Executive Pay Packages in the Defense Industry are exorbitant and unjustifiable given how slowly these Companies are delivering vital Equipment to our Military, and our Allies.”

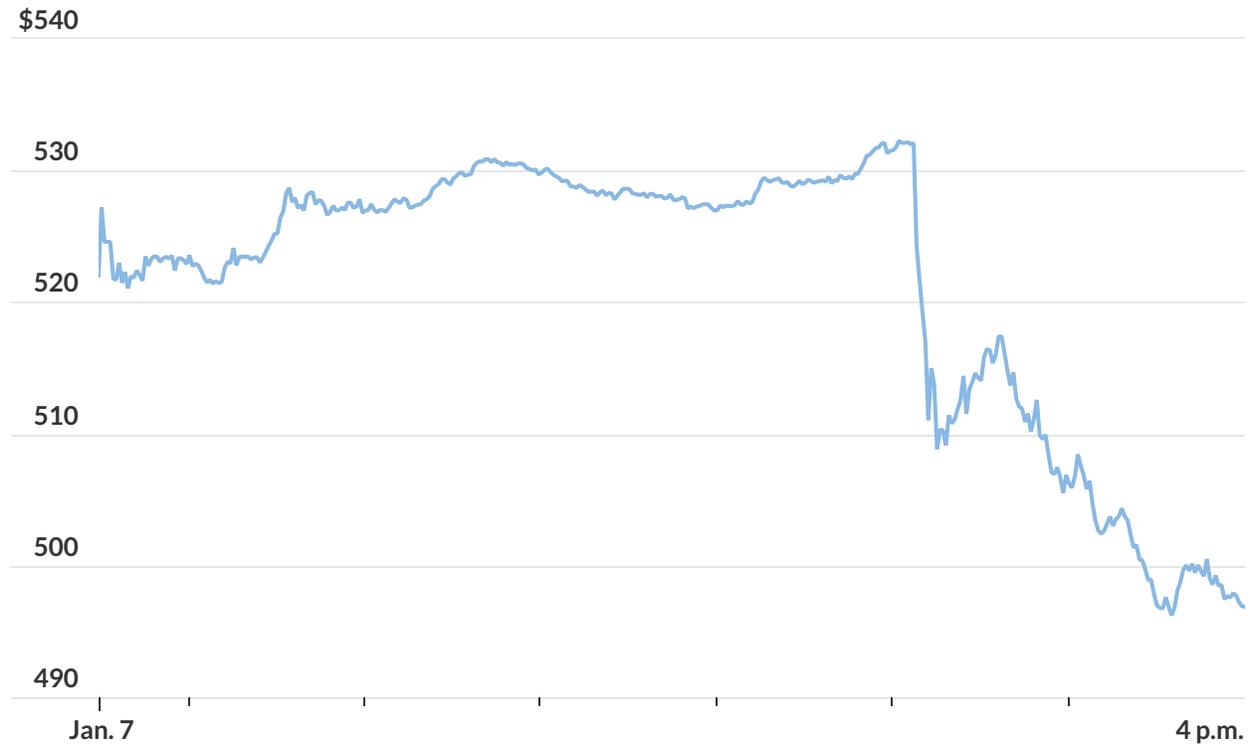
The president said that, until his concerns are addressed, no defense executive “should be allowed to make in excess of \$5 Million Dollars which, as high as it sounds, is a mere fraction of what they are making now.”

He also proposed a massive increase in military spending, to \$1.5 trillion in 2027, up from the current \$901 billion for 2026. “This will allow us to build the ‘Dream Military’ that we have long been entitled to,” Trump said in a Truth Social post.

Trump’s announcement about buybacks was somewhat expected. He [said on Dec. 22](#) that he planned to target defense contractors over stock buybacks, dividend payments to shareholders and executive compensation, with his comments coming at [an event focused on new Navy warships](#).

In [an additional post](#) after the market’s close on Wednesday, Trump said RTX has been “the least responsive to the needs of the Department of War, the slowest in increasing their volume, and the most aggressive spending on their Shareholders rather than the needs and demands of the United States Military.” He said “if Raytheon wants further business with the United States Government, under no circumstances will they be allowed to do any additional Stock Buybacks, where they have spent Tens of Billions of Dollars, until they are able to get their act together.” RTX shares dropped in after-hours trading.

Lockheed Martin Corp.



Source: FactSet

Claudia Assis contributed.

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