



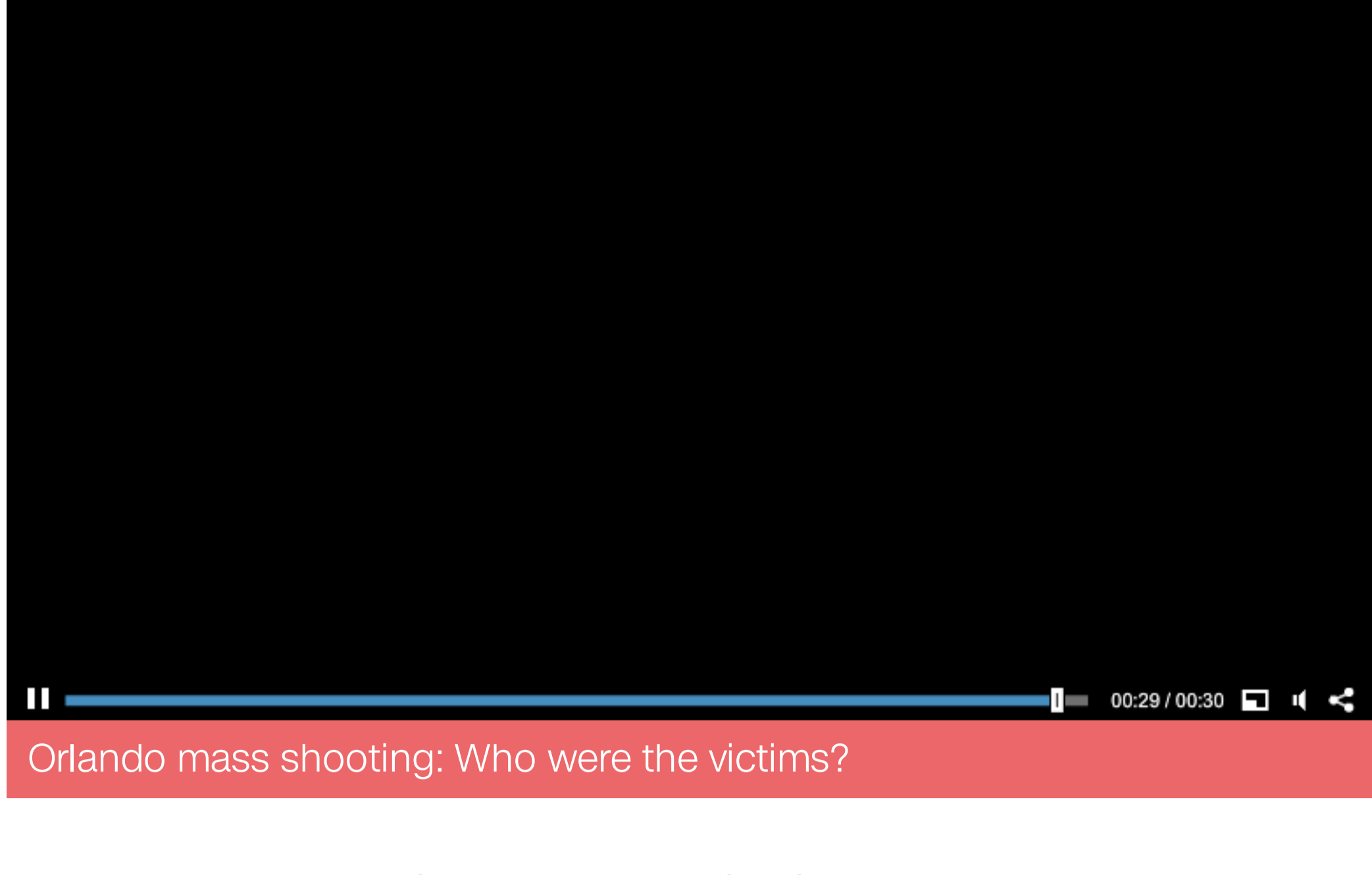
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Gun stocks soar following Orlando shooting

by Paul R. La Monica @lamicabuzz

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Another mass shooting. Another spike in gun maker stocks due to expectations of tougher gun laws.

Shares of both Smith & Wesson (SWHC) and Sturm, Ruger (RGR) surged nearly 10% Monday in the aftermath of the tragedy at the Pulse nightclub in Orlando early Sunday morning. A gunman killed 49 people at the club before he was shot dead by police.

Sadly, this has happened all too often in the past few years.

Mass shootings at an elementary school in Newtown, Connecticut, movie theater in Aurora, Colorado, church in Charleston, South Carolina and, most recently in San Bernardino, California, have led to calls for stricter gun control laws.

So far, there have been few significant changes in laws governing gun ownership. So some of the spikes in gun sales have proved to be temporary.

In fact, Smith & Wesson and Sturm, Ruger both plunged last week after the FBI reported a big drop in background checks for firearms in May from April. It was the first time this year that there were fewer than 2 million background checks.

Related: More CNN coverage of the Orlando shooting

Many on Wall Street view this data as a good proxy for gun sales.

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Rommel Dionisio, an analyst with Wedbush Securities, said that the "dramatic surge" in background checks was due to both San Bernardino as well as the terrorist attacks in Paris last November.

So the Orlando shootings could very well lead to more gun sales. He added that the presidential election could be another catalyst for increased gun sales.

If Hillary Clinton continues to lead Donald Trump in the polls, some gun buyers may fear tougher laws -- even though few have materialized during the Obama administration despite his calls for tighter controls.

"There will likely be heightened consumer fears about gun control," Dionisio said. "It could temporarily increase demand, especially since Clinton has made gun control one of her platforms."

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Ammunition maker Vista Outdoor (VSTO) rallied on Monday as well. Shares of Olin (OLN), a specialty chemicals company that also owns the Winchester gun brand, were up slightly too, as was the stock of sporting and hunting goods retailer Cabela's (CAB).

But will there be any meaningful changes to gun laws? It hasn't happened yet.

There have been calls for big mutual funds, hedge funds and pension funds to divest their gun investments by a group calling itself Campaign to Unload.

Still, mutual fund giants Vanguard and BlackRock continue to be big shareholders of Smith & Wesson, Sturm Ruger, Vista Outdoor and Orbital ATK (OA) -- another ammunition company. These stocks are top holdings at many other funds as well.

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