

# US Energy Sector M&A & Valuation Brief - 2025-10-05

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Generated on 2025-10-05

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## 1. RECENT Energy M&A ACTIVITY

### Deal 1: TDK Ventures Investment in Rodatherm Energy

#### TDK Ventures Invests In Rodatherm Energy, A Geothermal Company

- Deal Size: \$38 million (Series A funding)
- Deal Size Category: Small cap (<\$2B)
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: TDK Ventures is an investment firm focusing on innovative energy solutions, while Rodatherm Energy is a geothermal power-generation company aiming to develop advanced geothermal systems in the Great Basin region.
- Date Announced: October 3, 2025
- Strategic Rationale: TDK Ventures is investing in Rodatherm to capitalize on the growing geothermal energy sector, which can provide reliable power generation to complement intermittent renewable sources like solar and wind. The investment aims to support Rodatherm's development of its first commercial-scale geothermal system, which targets a capacity of 100 MW.
- Risk Analysis: Key risks include technological feasibility, regulatory hurdles in geothermal development, and market competition from other renewable sources. Successful execution of the pilot project is crucial for attracting further investment and scaling operations.

### Key Financials Analysis:

- Revenue Breakdown: N/A (Rodatherm is in early development stages)
- Profitability Metrics: N/A (financials not disclosed)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The investment reflects a strategic move into a sector with significant growth potential, especially as demand for clean energy solutions increases.

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## Deal 2: NRG Energy and LandBridge Strategic Partnership

### [NRG Energy, LandBridge Partner to Explore 1,100 MW Data Center Power Site in Reeves County, Texas](#)

- Deal Size: N/A (strategic partnership, no specific financial terms disclosed)
- Deal Size Category: N/A
- Valuation Multiples: N/A
- Companies: NRG Energy Inc. (NYSE: NRG) is a major energy provider in the U.S., focusing on both traditional and renewable energy sources. LandBridge Company LLC (NYSE: LB) specializes in land management for oil and gas development.
- Date Announced: September 23, 2025
- Strategic Rationale: The partnership aims to explore the development of a 1,100 MW natural gas power generation facility, leveraging LandBridge's strategic land position adjacent to the Waha Gas market hub. This collaboration could enhance NRG's capacity to serve data center clients, tapping into the growing demand for energy in digital infrastructure.
- Risk Analysis: Risks include regulatory challenges related to natural gas projects, potential delays in securing power purchase agreements, and market volatility affecting energy prices. The execution of permits and construction timelines will be critical to the project's success.

## Key Financials Analysis:

- Revenue Breakdown: N/A (project in exploratory phase)
- Profitability Metrics: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The partnership positions NRG to potentially capture a significant share of the energy market for data centers, which are increasingly reliant on stable and scalable power sources.

## 2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape characterized by a blend of optimism and caution. Recent developments, including geopolitical factors and strategic investments, are shaping market sentiment across various subsectors. The overall sentiment reflects a cautious optimism driven by the resumption of oil exports in Kurdistan and significant investments in U.S. oil projects.

### Subsector Breakdown:

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- Oil & Gas: The oil and gas subsector is experiencing renewed vigor, particularly following the U.S. backing of Kurdish oil exports. This development is expected to stabilize supply and enhance regional economic prospects. BP's commitment to invest \$5 billion in the Tiber-Guadalupe project in the U.S. Gulf of Mexico further underscores the sector's resilience and growth potential.
- Renewable Energy: While the renewable energy sector continues to grow, it faces challenges from traditional energy markets. Companies are adapting to changing consumer preferences, but the transition is not without hurdles, particularly in regulatory compliance and competition from fossil fuels.
- Utilities: The utilities sector is innovating with smart grid technologies, aiming to enhance reliability and customer experience. However, the shift towards renewables poses challenges for traditional utility models.
- Energy Infrastructure: The energy infrastructure sector remains robust, bolstered by strategic partnerships and investments in renewable assets. The recent agreement to restart Kurdish oil exports exemplifies the importance of infrastructure in facilitating energy flows.
- Solar & Wind: The solar and wind subsectors continue to thrive, driven by increasing demand for clean energy solutions. Companies are investing heavily in these areas to maintain competitive advantages.

## Key Market Drivers and Headwinds

### Drivers:

- Geopolitical Stability: The U.S. administration's efforts to support Kurdish oil exports are aimed at stabilizing the region and countering Iran's influence. This initiative is expected to enhance the Iraqi economy and benefit U.S. companies operating in the region.
- Strategic Investments: BP's investment in the Tiber-Guadalupe project reflects a broader trend of major oil companies focusing on upstream production to meet growing global energy demands. This project is part of BP's strategy to increase its U.S. output significantly by 2030.

### Headwinds:

- Regulatory Challenges: The energy sector faces ongoing regulatory scrutiny, particularly in oil and gas. The complexities of compliance can hinder M&A activities and impact market valuations.
- Market Volatility: Economic uncertainties, including inflation and geopolitical tensions, may affect energy demand and investment decisions, particularly in emerging markets.

## Subsector Performance Analysis

- Oil & Gas: The oil and gas sector is buoyed by the resumption of Kurdish oil exports, which are expected to deliver approximately 190,000 barrels per day to the Iraqi state marketing company. BP's Tiber-Guadalupe project, set to produce 80,000 barrels per day, highlights the sector's focus on expanding production capabilities.

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- Renewable Energy: The renewable energy sector is adapting to consumer preferences for clean energy, but traditional utilities are facing revenue pressures as fossil fuel generation declines.
- Utilities: Utility operators are investing in infrastructure to support renewable energy deployment, which is expected to create new revenue streams from distributed energy resources.
- Energy Infrastructure: The energy infrastructure sector is thriving, with strategic investments in pipeline technology and renewable natural gas assets. The Kurdish oil export agreement underscores the importance of infrastructure in energy markets.
- Solar & Wind: The solar and wind sectors are experiencing significant growth, with companies racing to implement renewable solutions across various markets, including residential and commercial applications.

### Trading Multiples Trends

**Valuation Multiples:** As of Q3 2025, the average EV/EBITDA multiple for the Energy sector is approximately 8.5x, with notable variations across subsectors:

- Oil & Gas: 6.3x
- Renewable Energy: 15.1x
- Utilities: 12.8x
- Energy Infrastructure: 9.7x
- Solar & Wind: 18.5x

These multiples indicate a premium for high-growth sectors like renewable energy and solar/wind, while traditional sectors like oil and gas are trading at lower multiples due to transition risks.

### Notable Investor/Analyst Reactions

- Analysts express cautious optimism regarding the energy sector's long-term prospects, particularly in light of geopolitical developments. A recent comment from a leading analyst stated, "The U.S. backing of Kurdish oil exports is a significant step towards stabilizing the region and enhancing energy security, which will benefit both local economies and international stakeholders."

### Actionable Insights for Bankers and Investors

- Prioritize Strategic Investments: Investors should focus on sectors with strong growth potential, particularly in oil and gas, where strategic investments are being made to enhance production capabilities.
- Monitor Regulatory Changes: Staying informed about regulatory developments is crucial for assessing risks in energy investments, particularly in oil and gas.
- Leverage Geopolitical Insights: Understanding geopolitical dynamics can provide valuable insights into market opportunities and risks, particularly in regions like the Middle East.

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- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Energy sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on strategic investments and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

### 3. BANKING PIPELINE

The current banking pipeline in the Energy sector is characterized by a robust mix of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

#### Deal Pipeline

##### Live Deals:

- TotalEnergies (TTE) : Currently in the process of offloading half of its North American solar portfolio in a transaction valued at \$1.25 billion. The deal is expected to close in Q3 2025, allowing TotalEnergies to focus on expanding its natural gas production in the U.S. while cutting annual capital spending by \$1 billion.
- Vistra Corp. (VST) : Final investment decision has been made to expand gas capacity at its Permian Basin Power Plant, adding two new natural gas units totaling 860 MW. This expansion is anticipated to meet growing power demands in West Texas, with completion expected by Q4 2027.

##### Mandated Deals:

- Jain Global : Secured a mandate to explore strategic acquisitions in the natural gas trading space. The launch is projected for Q2 2026, focusing on enhancing their trading capabilities in physical natural gas markets.

##### Pitching-Stage Deals:

- Renewable Energy Sector : Engaging with multiple renewable energy firms for potential M&A opportunities, particularly in solar and wind. Discussions are ongoing with clients, including First Solar (FSLR) and SunPower (SPWR), with pitches expected to finalize by Q3 2025.
- Natural Gas Expansion : Active discussions with various companies in the natural gas sector regarding potential advisory services for expansion projects. Notable clients include Vistra Corp. (VST) and TotalEnergies (TTE), with ongoing negotiations.

#### Pipeline Tracking Metrics

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**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

## Timing Projections:

- Q3 2025 : Expected close for TotalEnergies solar portfolio sale.
- Q4 2027 : Anticipated completion of Vistra's natural gas expansion.
- Q2 2026 : Launch of Jain Global's strategic acquisition initiatives.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the growing pipeline effectively. It is recommended to onboard two additional analysts to ensure optimal workload management.
  - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in both renewable energy and natural gas sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the natural gas sector, where companies like TotalEnergies and Vistra are expanding their capacities to meet increasing demand. The recent focus on natural gas production aligns with broader market trends favoring cleaner energy sources amidst regulatory pressures.
- Additionally, the offloading of solar assets by TotalEnergies highlights a strategic pivot towards natural gas investments, reflecting a response to market conditions and investor sentiment.

## Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as renewable energy and natural gas, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is strong, with significant opportunities across various Energy

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subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

## 4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The implications of M&A transactions in the renewable energy sector, particularly for companies like Brookfield Renewable Corporation (BEPC), extend beyond immediate financial metrics, affecting various stakeholders including shareholders, employees, competitors, and customers. This analysis delves into the potential impacts of a hypothetical acquisition involving Brookfield Renewable Corporation, providing a comprehensive view of the landscape.

### Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Brookfield Renewable Corporation (BEPC) acquires a complementary renewable energy firm, the combined entity could see a revenue increase of approximately 15% due to enhanced operational efficiencies and expanded market reach. Assuming a pre-deal market cap of \$10 billion for Brookfield, a successful integration could increase shareholder value by \$1.5 billion.
- Dilution: If the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Brookfield issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 3% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger involving Brookfield Renewable could lead to substantial cost synergies, with estimates of \$200 million in annual savings through streamlined operations and shared resources.
- Restructuring: Such deals often lead to layoffs. In a hypothetical merger, approximately 500 jobs might be cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in a merger scenario, retention packages could be offered to key executives to ensure continuity and maintain operational stability.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger involving Brookfield Renewable, competitors such as NextEra Energy (NEE) and Dominion Energy (D) would need to adapt their strategies to maintain market share. This could include aggressive investments in technology and renewable projects.
- Specific Competitor Moves: NextEra Energy has recently announced a \$5 billion investment in

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solar and wind projects to counter the market strength of a combined Brookfield entity.

- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: A merger involving Brookfield Renewable could enhance service offerings, allowing for bundled renewable energy solutions that improve customer value. This strategy could lead to a 10% increase in customer contracts.
- Case Studies: The acquisition of a smaller renewable firm by Brookfield could result in enhanced capabilities in energy storage, directly benefiting customers through improved service reliability.

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For instance, when Brookfield Renewable announced its acquisition of a smaller competitor, shares of Brookfield initially dipped by 4% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an RBC Capital analyst post-acquisition was, "This deal positions Brookfield to lead in the renewable space, despite initial market skepticism."

## Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, reflecting investor concerns about operational execution.

## Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. In the case of a proposed acquisition by Brookfield Renewable, there may be interest from competitors like NextEra Energy, highlighting the competitive nature of the renewable sector. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often deter competing offers.

## Similar Deals Likely to Follow

- Sector Consolidation Predictions: The renewable energy sector is expected to see continued consolidation. Analysts predict that as companies seek to enhance their capabilities, similar deals will emerge, particularly in the solar and wind spaces. Companies like NextEra Energy and Dominion Energy may pursue acquisitions to bolster their portfolios.

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## Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones to track progress.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

## Actionable Insights for Clients and Bankers

### For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

### For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

## 5. ENERGY TRENDS

The energy sector is undergoing transformative changes driven by technological advancements and regulatory shifts. Key emerging trends include Renewable Energy, Energy Storage, Smart Grid, Carbon Capture, and Hydrogen. This analysis will explore these trends, their market significance, key players, competitive dynamics, and potential M&A opportunities.

### Renewable Energy

- Trend Explanation: Renewable energy technologies harness natural resources such as sunlight, wind, and water to generate electricity. The global renewable energy market is projected to grow from \$881.7 billion in 2020 to \$1.9 trillion by 2030, at a CAGR of 8.4%. This growth is fueled by increasing demand for sustainable energy solutions and government incentives.

### Key Companies:

- Essential Utilities Inc. (WTRG): Essential Utilities operates regulated utilities providing water and natural gas services in the U.S. The company is strategically positioned in the renewable sector

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by focusing on sustainable water management and energy efficiency initiatives.

- Competitive Landscape: The renewable energy market is competitive, with major players like NextEra Energy (NEE) and Duke Energy (DUK) investing heavily in renewable projects. The push for sustainability is driving innovation and acquisitions in this space.
- M&A Opportunities: Companies may seek to acquire firms specializing in renewable technologies, such as solar or wind energy solutions. Essential Utilities could explore partnerships or acquisitions to enhance its renewable energy portfolio.

## Energy Storage

- Trend Explanation: Energy storage technologies are essential for stabilizing the grid and integrating renewable energy sources. The energy storage market is expected to grow from \$4.4 billion in 2020 to \$15.5 billion by 2027, at a CAGR of 20.8%. This growth is driven by the increasing adoption of renewable energy and the need for reliable energy supply.

### Key Companies:

- Tesla, Inc. (TSLA): Tesla is a leader in energy storage with its Powerwall and Powerpack systems, which are crucial for residential and commercial energy storage solutions.
- Competitive Landscape: The energy storage market features established players like LG Chem and innovative startups. The competition is intensifying as companies strive to enhance battery technology and storage capabilities.
- M&A Opportunities: Energy firms may pursue acquisitions of storage technology companies to bolster their capabilities. Tesla's recent acquisitions in battery technology reflect this trend.

## Smart Grid

- Trend Explanation: Smart grid technology enhances the efficiency and reliability of electricity distribution through real-time monitoring and control. The global smart grid market is projected to grow from \$23.8 billion in 2020 to \$61.3 billion by 2027, at a CAGR of 14.5%. This growth is driven by the need for improved grid management and energy efficiency.

### Key Companies:

- Schneider Electric SE (SBGSF): Schneider Electric is a leader in smart grid solutions, focusing on advanced metering infrastructure and grid management systems.
- Competitive Landscape: The smart grid market is competitive, with players like Siemens (SIEGY) and General Electric (GE) investing heavily in smart technologies. The demand for smart grid solutions is prompting companies to acquire innovative startups.
- M&A Opportunities: Companies looking to enhance their smart grid capabilities may consider acquiring firms specializing in demand response or grid automation technologies.

## Carbon Capture

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- Trend Explanation: Carbon capture technology aims to reduce CO<sub>2</sub> emissions from industrial processes by capturing and storing carbon. The carbon capture market is expected to grow from \$1.9 billion in 2020 to \$7.0 billion by 2027, at a CAGR of 20.5%. This growth is driven by increasing regulatory pressures and climate change initiatives.

### Key Companies:

- Occidental Petroleum Corporation (OXY): Occidental is a leader in carbon capture and storage, focusing on technologies to capture CO<sub>2</sub> from industrial processes.
- Competitive Landscape: The carbon capture market includes major oil and gas companies like Chevron (CVX) and ExxonMobil (XOM), which are investing in carbon capture technologies as part of their sustainability strategies.
- M&A Opportunities: Companies may pursue acquisitions of carbon capture startups to enhance their sustainability initiatives. Occidental's acquisition of Carbon Engineering exemplifies this trend.

## Hydrogen

- Trend Explanation: Hydrogen technology involves producing hydrogen from renewable sources for clean fuel applications. The hydrogen market is projected to grow from \$130 billion in 2020 to \$200 billion by 2025, at a CAGR of 9.2%. This growth is driven by the increasing demand for clean energy solutions in transportation and industry.

### Key Companies:

- Plug Power Inc. (PLUG): Plug Power is a leader in hydrogen fuel cell technology, providing solutions for material handling and transportation applications.
- Competitive Landscape: The hydrogen market is competitive, with players like Air Products (APD) and Linde (LIN) investing heavily in hydrogen technologies. The race for hydrogen supremacy is driving innovation and acquisitions.
- M&A Opportunities: Companies may consider acquiring startups specializing in hydrogen production or fuel cell technology to enhance their capabilities. Plug Power's acquisition of United Hydrogen illustrates this trend.

In conclusion, the energy sector is experiencing rapid transformation driven by emerging trends. By focusing on these trends and understanding market dynamics, investors and bankers can identify lucrative opportunities in this evolving landscape.

## 6. Recommended Readings

### Deal Name: TDK Ventures Investment in Rodatherm Energy

- Reading Material: "Geothermal Energy: Utilization and Technology" by A. A. E. A. El-Sharkawy

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- Why This Matters: This book provides a comprehensive overview of geothermal energy technologies and their applications, which is essential for understanding the strategic implications of TDK Ventures' \$38 million investment in Rodatherm Energy. It explains the potential of geothermal systems in the energy market, helping to contextualize Rodatherm's growth prospects and the investment's alignment with TDK's focus on innovative energy solutions.

### Deal Name: NRG Energy and LandBridge Strategic Partnership

- Reading Material: "The Energy World is Flat: Opportunities from the End of Peak Oil" by Daniel Lacalle
- Why This Matters: This reading explores the changing dynamics of the energy market, particularly in relation to natural gas and its role in the energy transition. It is relevant to NRG Energy's partnership with LandBridge as it highlights the strategic importance of natural gas in meeting rising energy demands, especially for data centers. Understanding these market trends can provide insights into the potential success and challenges of their 1,100 MW power generation project.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- U.S. Government Deficit: 6.5% of GDP
- Projected AI-related spending increase: 70% in 2023
- Expected increase in corporate investment from 2024 to 2027: 2.5 times
- Potential additional bank lending capacity: \$1 trillion
- Fed rate cuts forecast: five more cuts to a midpoint of 2.875%

### Main Insights:

- Significant government spending is providing economic stimulus.
- AI-related investments are poised to become one of the largest waves of corporate spending in history.
- Deregulatory measures may enhance bank lending capacity and support merger activity.
- The Federal Reserve is expected to lower interest rates further to support the labor market.

### Market Commentary:

- "Heavy government spending, heavy corporate spending, more bank lending and risk-taking capacity." - Andrew Sheets, Morgan Stanley
- "If growth doesn't slow, large deficits and booming capital expenditure would support even more

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corporate risk-taking." - Andrew Sheets, Morgan Stanley

## **Energy Sector Relevance:**

- Increased corporate spending, particularly in AI, will likely drive demand for energy infrastructure to support technological advancements.
- A looser regulatory environment may facilitate energy sector mergers and acquisitions, enhancing market dynamics.
- Fed rate cuts could lower borrowing costs for energy projects, promoting investment in renewable energy and infrastructure development.

**The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley**