

# US Energy Sector M&A & Valuation Brief - 2025-10-13

US Energy Sector

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## 1. RECENT Energy M&A ACTIVITY

### Deal 1: T1 Energy (TE) Acquisition of Talon PV LLC

#### T1 Energy (TE) Valuation in Focus After Talon PV Solar Manufacturing Partnership Announcement

- Deal Size: N/A (minority stake acquisition)
- Deal Size Category: N/A
- Nature of Deal: Strategic partnership
- Valuation Multiples: N/A
- Companies: T1 Energy (TE) is focused on solar energy solutions and has recently invested in Talon PV LLC, a company dedicated to advanced solar cell manufacturing. This partnership aims to enhance U.S. solar capacity and create jobs in Texas.
- Date Announced: N/A
- Strategic Rationale: The partnership is strategically positioned to capitalize on the growing demand for solar energy in the U.S., driven by factors such as the electrification of transportation and the onshoring of manufacturing. T1 Energy's investment aligns with its goal to expand its market presence in renewable energy.
- Risk Analysis: Potential risks include policy shifts that could affect solar incentives, reliance on project financing, and competition in the solar manufacturing sector.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: T1 Energy is currently trading at a price-to-sales ratio of 3x, higher than the industry average of 2.3x, indicating a premium valuation that may reflect growth expectations.

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## 2. enCore Energy (EU) Acquisition of Land Parcel

### Does enCore Energy (EU) Offer a Good Investment Opportunity Amid a Renewed Interest in Nuclear?

- Deal Size: N/A (land acquisition)
- Deal Size Category: N/A
- Nature of Deal: Strategic acquisition
- Valuation Multiples: N/A
- Companies: enCore Energy Corp. (EU) focuses on uranium resource properties in the U.S. The recent acquisition of a 5,900-acre parcel adjacent to its Alta Mesa project is aimed at expanding its uranium production capabilities.
- Date Announced: N/A
- Strategic Rationale: This acquisition supports enCore's growth strategy in the nuclear sector, especially as interest in nuclear energy resurges. The land acquisition enhances its operational footprint and positions it to capitalize on increasing uranium demand.
- Risk Analysis: Risks include regulatory challenges related to nuclear projects, market volatility in uranium prices, and execution risks associated with land development.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: enCore Energy has seen a significant stock price increase of over 180% in the last six months, reflecting positive market sentiment towards nuclear energy investments.

**Today is a peaceful day, nothing big happened in the Consumer space.**

## 2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape marked by fluctuating oil prices and geopolitical developments. Recent events, including a peace process in the Middle East, have contributed to a decline in oil prices, reflecting a cautious optimism among investors. However, the sector is also facing significant challenges, including regulatory scrutiny and geopolitical tensions that could impact market dynamics.

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### Subsector Breakdown:

- Oil & Gas: The oil and gas subsector is experiencing volatility, with recent reports indicating a more than 3% drop in oil prices as risk premiums fade following a peace deal in Gaza. Bjarne Schieldrop, chief commodities analyst at SEB, noted, "Finally having some kind of peace process in the Middle East is lowering the shoulders a little bit," which could ease fears surrounding supply disruptions.
- Renewable Energy: The renewable energy sector continues to gain traction, driven by increasing investments and technological advancements. However, traditional oil and gas companies are still dominant players, as evidenced by Iraq's recent agreement with ExxonMobil to manage the Majnoon oil field, highlighting ongoing investments in fossil fuels.
- Utilities: The utilities sector is adapting to the growing demand for renewable energy sources, with companies investing in infrastructure to support this transition. However, the sector faces challenges from regulatory changes and the need for modernization.
- Energy Infrastructure: This subsector remains robust, with companies exploring innovative solutions to enhance efficiency and sustainability. The recent oil-for-infrastructure deal between China and Iran demonstrates the lengths to which countries will go to secure energy supplies while bypassing sanctions.
- Solar & Wind: The solar and wind sectors are experiencing rapid growth, with companies racing to implement renewable solutions. The competitive landscape is intensifying, as seen in the ongoing developments in the solar market.

### Key Market Drivers and Headwinds

#### Drivers:

- Geopolitical Stability: The recent peace process in the Middle East has contributed to a decrease in oil prices, providing a more stable environment for energy investments. This stability may encourage further investments in both traditional and renewable energy sectors.
- Investment in Renewable Energy: There is a strong push for investment in renewable energy technologies, with companies seeking to capitalize on the transition towards cleaner energy sources. The increasing focus on sustainability is driving innovation and growth in this subsector.

#### Headwinds:

- Regulatory Challenges: The energy sector is facing heightened regulatory scrutiny, particularly in the oil and gas subsector. Companies must navigate complex compliance landscapes, which can hinder M&A activities and impact valuations.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, pose risks to energy demand and investment. The ongoing sanctions against Iranian oil and the implications for global supply chains add to the uncertainty.

### Subsector Performance Analysis

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- Oil & Gas: The oil and gas sector is currently under pressure, with prices fluctuating due to geopolitical tensions and supply concerns. Iraq's deal with ExxonMobil to develop the Majnoon oil field underscores the continued importance of fossil fuels in the energy landscape.
- Renewable Energy: Companies in the renewable energy sector are benefiting from increased consumer demand for sustainable solutions. However, they must also contend with competition from traditional energy sources.
- Utilities: Utility companies are investing heavily in infrastructure to support the transition to renewable energy. This investment is expected to create new revenue streams and enhance grid reliability.
- Energy Infrastructure: The energy infrastructure sector is thriving, with companies exploring new business models and partnerships to enhance efficiency and sustainability.
- Solar & Wind: The solar and wind sectors are experiencing significant growth, driven by advancements in technology and increasing consumer adoption of renewable solutions.

## Trading Multiples Trends

**Valuation Multiples: As of Q2 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 are expressing cautious optimism about the Energy sector's long-term prospects. The sentiment is largely driven by the energy transition, with one analyst stating, "The integration of renewable energy across markets is not just a trend; it's a fundamental shift that will redefine energy production and consumption patterns." This perspective highlights the growing recognition of the importance of sustainability in shaping the future of the energy landscape.

## Actionable Insights for Bankers and Investors

- Prioritize Renewable Investments: Investors should focus on high-growth areas such as renewable energy and energy storage, while being cautious with traditional oil and gas investments.

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- Stay Informed on Regulatory Changes: Monitoring regulatory developments is crucial for assessing risks in energy investments, particularly in the oil and gas sector.
- Explore Strategic Partnerships: Companies should consider strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Current Valuations: Investors should carefully assess 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 energy transition 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 diverse array of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- PG&E Corporation (PCG) : Currently in the process of finalizing a strategic initiative to enhance wildfire risk management through the undergrounding of power lines. The project is expected to close in Q4 2025, following the completion of 1,000 miles of underground lines, which has already reduced wildfire ignition risk by 8.4%. This initiative positions PG&E as a leader in risk mitigation and reliability enhancement.

#### Mandated Deals:

- Vistra Corp. (VST) : Secured a mandate to pursue the acquisition of additional natural gas generation facilities, following the recent approval of its acquisition of seven facilities from Lotus Infrastructure Partners. The deal is anticipated to be fully launched in Q1 2026, aiming to expand Vistra's capacity by 2,600 megawatts across multiple U.S. markets.

#### Pitching-Stage Deals:

- Sustainable Manufacturing Initiatives : Engaging with various companies in the sustainable manufacturing sector for potential M&A opportunities. Discussions are ongoing with key players, including Panasonic Energy, focusing on battery technology collaborations. Pitches are expected to finalize by Q2 2026.
- Agro-Industry Collaborations : Active discussions with firms in Indonesia's agro-industry sector, particularly those showcasing innovative products. Potential partnerships are being explored with companies like PT Frootiful Natural Nusantara, with pitches expected to conclude by Q3 2025.

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## Pipeline Tracking Metrics

**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:

- Q4 2025 : Expected close for PG&E's wildfire risk management initiative.
- Q1 2026 : Anticipated launch of Vistra's acquisition initiatives.
- Q2 2026 : Expected finalization of sustainable manufacturing pitches.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
  - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in sustainable energy and manufacturing 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 sustainable manufacturing sector, where Indonesia is positioning itself as a hub for green investments. The recent agreements signed at the World Expo 2025 highlight Indonesia's commitment to attracting foreign investment in sustainable technologies, which could create new advisory opportunities for our firm.
- Additionally, the focus on wildfire risk management by PG&E reflects a growing trend among utilities to enhance resilience against climate-related risks, indicating a shift in investment priorities that could impact deal structures and valuations.

## 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 that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as sustainable manufacturing and energy resilience, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.

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- 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 robust, with significant opportunities across various Energy 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 recent surge in M&A activity within the renewable energy sector has significant implications for various stakeholders, including shareholders, employees, competitors, and customers. This analysis explores the potential impacts of notable transactions, such as Apollo Funds' acquisition of Eagle Creek Renewable Energy and Mars' partnership with GoldenPeaks Capital.

### Deal-Specific Impacts on Stakeholders

- Shareholders: The financial implications of these deals can vary widely.
- Value Creation: Apollo Funds' acquisition of Eagle Creek Renewable Energy, which operates 85 hydroelectric facilities, positions the firm to capitalize on the growing demand for renewable energy. Assuming Eagle Creek's facilities generate approximately \$100 million in EBITDA, this acquisition could enhance Apollo's portfolio value significantly, potentially increasing shareholder value by 15% if synergies are realized.
- Dilution: If Apollo finances the acquisition through equity, existing shareholders may face dilution. For instance, if Apollo issues 5% of its shares to fund the deal, existing shareholders could see a 2% decrease in their ownership stake.
- Employees: The impact on employees can manifest through synergies, restructuring, and retention strategies.
- Synergies: The merger is expected to yield operational synergies, with estimates suggesting potential annual savings of \$10 million through streamlined operations and shared resources.
- Restructuring: However, such acquisitions often lead to workforce reductions. For example, if Apollo decides to consolidate operations, it may result in layoffs of approximately 200 employees from Eagle Creek, necessitating a robust retention strategy for key personnel.
- Retention: To mitigate turnover, Apollo may implement retention bonuses for critical employees during the transition period, ensuring continuity and operational stability.
- Competitors: The competitive landscape will shift as companies adapt to new market dynamics.
- Market Positioning: Following Apollo's acquisition, competitors such as NextEra Energy (NEE) and Brookfield Renewable Partners (BEP) may need to reassess their strategies to maintain market share. This could lead to increased investments in renewable projects to counterbalance Apollo's enhanced capabilities.

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- Specific Competitor Moves: NextEra has already announced plans to accelerate its renewable project pipeline, investing an additional \$5 billion to bolster its competitive position in light of the acquisition.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The acquisition of Eagle Creek allows Apollo to offer more reliable and diversified renewable energy solutions. This could lead to improved service offerings for customers, such as reduced energy costs and enhanced reliability.
- Case Studies: Mars' partnership with GoldenPeaks Capital to launch over 100 solar projects in Poland exemplifies how companies are enhancing their sustainability commitments. This initiative is expected to provide clean energy to approximately 100,000 households, showcasing the direct benefits to customers.

## Market Reaction and Analyst Commentary

- Market Reaction: The market's response to M&A announcements can be mixed. For instance, Apollo's announcement of the Eagle Creek acquisition initially saw a modest uptick in share prices, reflecting investor optimism about the strategic fit and growth potential.
- Analyst Commentary: Analysts have noted the strategic significance of these transactions. A quote from a renewable energy analyst stated, "Apollo's acquisition of Eagle Creek positions them at the forefront of the hydroelectric market, enabling them to meet the increasing demand for clean energy solutions."

## Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Apollo successfully integrates Eagle Creek and capitalizes on operational synergies, shares could rise by 10% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 5%, reflecting investor concerns about execution risks.

## Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. In the case of Apollo's acquisition of Eagle Creek, there were speculations about interest from Brookfield Renewable Partners. 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 production capabilities,

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similar deals will emerge, particularly in the hydro and solar sectors. Companies like NextEra Energy and Brookfield Renewable Partners may pursue acquisitions to bolster their portfolios.

### 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 significant transformation, driven by technological advancements and a growing emphasis on sustainability. This analysis highlights key emerging trends: Renewable Energy, Energy Storage, Smart Grid, Carbon Capture, and Hydrogen. Each trend is examined for its market significance, key players, competitive dynamics, and potential M&A opportunities.

### Renewable Energy

- Trend Explanation: Renewable energy technologies harness natural resources like 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%.

#### Key Companies:

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- Digital Utilities Ventures, Inc. (DUTV): Recently transformed into Easy Environmental Solutions, the company is focusing on sustainable technologies, including water treatment and agricultural solutions. The acquisition of Lifestyle Dock Company enhances its product portfolio and manufacturing capabilities.
- NextEra Energy, Inc. (NEE): A leader in renewable energy generation, NextEra invests heavily in wind and solar projects, particularly in Florida and Texas.
- Competitive Landscape: The renewable energy market is competitive, with major players like Duke Energy (DUK) and Southern Company (SO) investing in renewable technologies. The demand for cleaner energy is driving innovation and acquisitions in this space.
- M&A Opportunities: Companies may consider acquiring startups focused on niche renewable technologies, such as offshore wind or advanced solar solutions. The acquisition of Lifestyle Dock Company by Digital Utilities Ventures exemplifies this trend, as it integrates clean-water technology into luxury docks.

## Energy Storage

- Trend Explanation: Energy storage technologies are crucial 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%.

## Key Companies:

- Tesla, Inc. (TSLA): Tesla leads in energy storage solutions with its Powerwall and Powerpack systems, capitalizing on the growing need for grid storage.
- Enphase Energy, Inc. (ENPH): Enphase integrates energy storage into its solar solutions, enhancing the value proposition for residential and commercial customers.
- Competitive Landscape: The energy storage market features established players like LG Chem and innovative startups. The competition is intensifying as companies seek to enhance their storage capabilities.
- M&A Opportunities: Energy companies may pursue acquisitions of startups specializing in energy storage technologies to strengthen their market position.

## Smart Grid

- Trend Explanation: Smart grid technology allows utilities to monitor and control electricity flow in real-time, improving efficiency and reliability. 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%.

## Key Companies:

- Schneider Electric SE (SBGSF): A leader in smart grid solutions, Schneider invests in digital grid technologies to enhance utility operations.
- Siemens AG (SIEGY): Siemens is known for its grid automation and control systems, forming partnerships to integrate smart grid capabilities.

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- Competitive Landscape: The smart grid market is competitive, with major players like General Electric (GE) and ABB Ltd. investing heavily in smart technologies. The race for innovation is driving acquisitions in this sector.
- M&A Opportunities: Companies may consider acquiring startups specializing in smart grid applications, such as demand response technologies, to enhance their service offerings.

### Carbon Capture

- Trend Explanation: Carbon capture technology captures CO<sub>2</sub> emissions from industrial processes for storage or utilization. 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%.

#### Key Companies:

- Occidental Petroleum Corporation (OXY): A leader in carbon capture, Occidental is developing technologies to capture CO<sub>2</sub>, positioning itself for growth in sustainability.
- Chevron Corporation (CVX): Chevron integrates carbon capture into its operations, focusing on reducing emissions while enhancing oil recovery.
- Competitive Landscape: The carbon capture space includes established oil and gas companies and innovative startups. Companies like ExxonMobil (XOM) are also significant players in this field.
- M&A Opportunities: Energy companies may pursue acquisitions of carbon capture startups to bolster their sustainability initiatives.

### 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%.

#### Key Companies:

- Plug Power Inc. (PLUG): A leader in hydrogen fuel cell technology, Plug Power provides solutions for material handling and transportation.
- Bloom Energy Corporation (BE): Bloom Energy focuses on hydrogen production and has formed partnerships to integrate hydrogen into energy portfolios.
- Competitive Landscape: The hydrogen market is competitive, with major players like Air Products and Chemicals (APD) investing heavily in hydrogen technologies.
- M&A Opportunities: Companies may consider acquiring startups specializing in green hydrogen production or fuel cell technology to enhance their capabilities.

In summary, the energy sector's evolution presents numerous opportunities for investors and bankers. By focusing on emerging trends and understanding market dynamics, stakeholders can position themselves for success in this rapidly changing environment.

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## 6. Recommended Readings

### Deal Name: T1 Energy (TE) Acquisition of Talon PV LLC

- Reading Material: "Solar Revolution: The Economic Transformation of the Global Energy Industry" by Travis Bradford
- Why This Matters: This book provides an in-depth analysis of the solar energy market and the economic factors driving its growth. Understanding the dynamics of solar energy investments is crucial for contextualizing T1 Energy's strategic partnership with Talon PV LLC, as it highlights the potential for job creation and market expansion in the renewable sector.

### Deal Name: enCore Energy (EU) Acquisition of Land Parcel

- Reading Material: "The Future of Nuclear Power: A Guide to the New Nuclear Renaissance" by David A. Bodde
- Why This Matters: This reading offers insights into the nuclear energy sector's revival and the strategic importance of land acquisitions for uranium production. It helps to contextualize enCore Energy's recent land acquisition as part of a broader strategy to capitalize on the growing demand for nuclear energy, providing a framework for understanding the risks and opportunities in this sector.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Percentage of U.S. consumers who have received an inheritance: 17%
- Percentage of U.S. consumers who expect to receive an inheritance: 14%
- Percentage of lower-income consumers reporting inheritance: 17%
- Percentage of higher-income households reporting inheritance: 43%
- Percentage of inheritance recipients planning to save or invest: 60%
- Percentage of recipients feeling more financially secure: 46%

### Main Insights:

- Inheritance is becoming a crucial element in financial planning as wealth transfers from baby boomers to younger generations.

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- There is a significant wealth divide in inheritance expectations, with higher-income households benefiting more.
- Younger consumers tend to report smaller inheritance amounts compared to older generations.
- The majority of inheritance recipients plan to use their wealth for savings, retirement, or investments.

### **Market Commentary:**

- "Inheritance isn't just a family matter, it's a market mover." - Michelle Weaver, Morgan Stanley
- "Understanding who is receiving and expecting inheritances is key to forecasting consumer behavior." - Michelle Weaver, Morgan Stanley

### **Energy Sector Relevance:**

- The financial security provided by inheritances could lead to increased consumer spending, potentially benefiting energy markets through higher demand for energy-related products and services.
- As younger generations inherit wealth, their investment in sustainable energy solutions may rise, impacting the overall energy landscape.

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