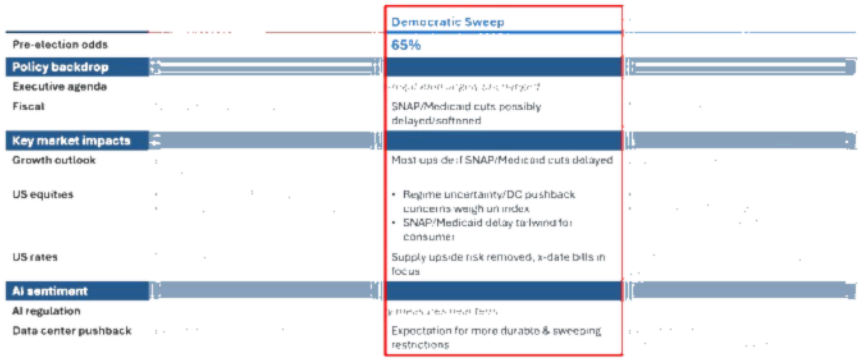
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US Public Policy | North America

Midterm Election Results: Decisive for Democrats

Democrats have won control in the House & Senate, although some races are still being counted. The decisive results point toward our 'cohesive' Democratic majority scenario: key market implications include incrementally negative AI sentiment on greater expectations for data center restrictions.

Exhibit 1: Summary: outcomes & impacts



Source: Morgan Stanley Research, Kalshi. Note: prediction markets as of 10/7/26. For more sector impacts, see below.

Related research:

US Public Policy: Midterms FAQs: Two Weeks Out (20 Oct 2026)

US Public Policy: Four Takeaways for the Midterm Elections (28 Sep 2026)

US Public Policy: Mapping the Midterms: A First Look (21 Apr 2026)

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Results, Policies, & Market Impacts to Focus On

Summary: In a "cohesive" Democratic majority scenario, uncertainty due to a change in control can act as a headwind to equity markets on the index level, *similar to 2022 midterm volatility amid the newly Republican-controlled House. However, potential delays in SNAP/Medicaid cuts provide a tailwind to consumer sectors & some upside risk to growth forecasts. The party-line reconciliation route is closed and removes the main source of upside to Treasury's borrowing needs. While delaying SNAP/Medicaid cuts works in the opposite direction, this is likely small against a $2 trillion deficit. The front-end matters more as a majority can coalesce around policy asks, using December funding deadline and 2027 debt limit as leverage. In FX, we expect near-term trading to remain consistent with our defense regime, favoring JPY, CHF, and EUR against USD. AI-related headwinds could leave AUD lagging on crosses, while targeted tariff risks could weigh on CAD against low yielders. Stronger congressional resistance to renewed geopolitical escalation could also put downward pressure on NOK/SEK.*

Plausible Policy Paths

Four things to focus on:

1. **Fiscal:** We expect the OBBBA SNAP and Medicaid cuts to potentially be rolled back, extended, or softened in tandem with negotiations around fiscal deadlines, given that Democrats likely have a large enough majority to navigate differences within the caucus & coalesce around a small set of policy objectives. See here for estimated impacts of rolling back the cuts. Overall, we think deficits stay around 6% of GDP, even with these cuts extended.
2. **Executive-led policy:** We think policy uncertainty since the beginning of President Trump's second term has been tied to executive, not legislative, action. Policies on tariffs, geopolitics, trade (particularly the USMCA review) and deregulation, and export controls are all likely to persist, meaning we should expect a certain level of policy uncertainty to continue.
3. **Data center restrictions:** The practical risk that we see is that incremental state-level rules from newly elected candidates split the country into areas that are open to new data centers and those without. The levers that actually bind a project, including interconnection, large-load rate design, siting, and tax abatements, sit almost entirely with state commissions, legislatures, and county boards. Accordingly, changes in control of certain governorships warrant monitoring, although the exposure is likely to be limited to specific jurisdictions. In Texas, the election of Democrat Gina Hinojosa increases policy risk with respect to the pace of data center approvals and construction. Governor Hinojosa's campaign platform included a moratorium on new data center approvals, and given the Texas Governor's multiple regulatory agencies that are involved in approving new data center projects, we see the risk of many projects being delayed significantly. By far, the most important election result, from the perspective of data center development, was the Texas gubernatorial election. **See the next section for our full analysis.**

4. **Signaling around 2028:** We have been of the view that midterm election results should not be extrapolated to the 2028 presidential elections, but the next two years will be a chance for lawmakers to lay the groundwork for federal action in 2029 & beyond, should presidential control eventually flip. We see scope for lawmakers to introduce legislation targeting AI buildout such as reversing OBBBA's immediate expensing or a tax on compute, but we think such legislation is unlikely to materialize given the president's opposition. See more here.

Exhibit 2: Spotlight on DC restrictions

	Ohio (Acton)	Pennsylvania (Shapiro)	Texas (Hinojosa)
Campaign proposals	A "conditional moratorium" unless projects cover 100% of utility costs, use union labor, meet transparency requirements, meet environmental standards and serve former industrial areas. Also bans local NDAs.	GRID standards on energy affordability, environment, workforce, transparency and community engagement, but no moratorium.	Moratorium until legislation "protects" communities, plus local veto power, an NDA ban, union hiring and consumer protections. Also ending tax breaks.
Governor can act alone	Appointments: JobsOhio board, one Power Siting Board seat, five PUCO seats. Terms are staggered.	Already done via EO: DEP reviews permits only with a binding GRID commitment and local approval, no NDAs, and no Fast Track.	Executive-order moratorium, agency directions, possibly emergency water powers (untested) & guidance to reject permits not yet approved.
Needs the Legislature	A statutory moratorium, the union-only mandate and siting rules. Republicans opposed to passing the moratorium, and the party holds a majority in the state legislature	Tying the sales tax exemption to GRID certification. Both chambers back repeal in principle, but haven't agreed on a bill. Legislature is split as of publication time.	Ending tax breaks, local veto powers, the NDA ban and permanent ratepayer protections. Republican legislature.

Source: Various campaign proposals/websites, Morgan Stanley Research.

Key Market & Economic Impacts

- **US equities:** The midterms represent the most obvious clearing event we discussed in last week's note, with history providing an encouraging signal. Since 1982, large-cap equities have gained approximately 15% on a cap-weighted basis and 16% on an equal-weighted basis in the six months following midterms, with both measures rising roughly 22% over the subsequent year. In our view, investors broadly anticipate a Democratic sweep with a narrow Senate majority. Thus, given that this was accompanied by a Democratic gubernatorial win in TX, this outcome could contribute to near-term volatility. However, we think it could mark the final phase of the rolling correction we've been discussing since the summer. Renewed military escalation with Iran or additional tariffs following the elections could also pose near-term risks.

- **Cross-asset:** We continue to recommend OW global equities vs UW core fixed income on the back of the midterm election results. Our constructive view on global equities so far this year has been underpinned by our expectations that the AI capex cycle will remain intact. With limited change likely in US tech-related investment at a *top-down* level, we don't expect earnings support across regions, including Europe and EM, to fall away. The outlook for global fixed income also remains broadly unchanged. We expect corporate credit issuance to remain elevated, supported by digital infrastructure funding needs despite less constructive sentiment around AI-related capex. Elevated issuance could put upward pressure on spreads, particularly in lower-quality credit. Beyond AI, oil prices and ex-US fiscal risks remain important drivers of equities, yields, and stock-bond correlations, alongside US politics. The midterm election results do not materially alter those factors. Until they change, neither does our allocation: we remain OW equities, UW core fixed income.

- **AI sentiment/capex:** Given losses by incumbents in critical state/local races, we think this outcome could weigh most heavily on AI sentiment, given the potential for more durable and broader restrictions at the local level. We expect the incremental headwind to be idiosyncratic, leaving the broader narrative around AI capex intact, but with a bifurcation between regions of the country that permit new data-center development and states/municipalities that do not. See next section
- **US rates:** Democratic control of both chambers rules out a Republican-led reconciliation bill once the new Congress convenes in January, removing the main source of upside risk to Treasury's borrowing needs. Pre-election pricing reflected limited expectations of this additional supply, since prediction markets assigned single-digit odds to unified Republican control, suggesting only a modest potential benefit for swap spreads. A delay to the SNAP and Medicaid cuts, which the new majority could seek at each fiscal deadline, could modestly increase issuance in the 2-7y sector. On balance, we see scope for only modest underperformance in the belly. Unless the lame-duck session raises the debt limit, which would keep Treasury on schedule to raise coupon auction sizes in February 2027, Democrats could seek to attach their own priorities to a subsequent increase, drawing out a resolution. This could lead bills maturing around the x-date to cheapen, while late-3Q27 SOFR/FF basis longs could become increasingly attractive. Regarding AI, related corporate bond issuance has become a supplier of long-end duration, creating a perceived connection between data-center construction and 10s and 30s, as well as credit spreads. If state and local restrictions slow construction, a smaller AI-related issuance pipeline could reduce long-dated duration supply and potentially richen 10s and 30s. Our base case assumes AI-related capex remains intact, so we view this as a risk scenario rather than our forecast. Shifts in investors' perceptions of the distribution of outcomes could nonetheless continue to provide a path to lower Treasury yields.
- **USD:** We see markets pricing greater obstacles to AI-related investment, stronger congressional resistance to renewed geopolitical escalation, and greater risk of targeted trade action. In the near term, we see FX trading in a manner consistent with our defense regime, boosting JPY, CHF, and EUR against USD, while AUD may underperform on crosses given its sensitivity to AI-related equity sentiment, particularly given the Democrats' win in the Texas gubernatorial race. We also expect CAD to underperform versus low yielders as markets price in a greater risk of higher US tariffs. Together with potential political and funding headwinds to further geopolitical escalation, these dynamics could put temporary downward pressure on NOK/SEK.
- **US economics:** Our overall outlook for resilient growth and continued, albeit gradual, disinflation remains intact, with greater upside to growth in this scenario. A potential delay to SNAP and Medicaid cuts could provide up to 0.4pp of upside to personal consumption in 2027 and support a faster broadening of spending.
- **AI-related financing:** The focus of AI-related financing could increasingly shift toward chip financing relative to power-shell financing. By the time a project reaches the chip-installation stage, data-center construction and energization, the activities most exposed to potential policy headwinds, would typically have already been completed. This shift could contribute to a more sustained flattening of credit curves.

- **US healthcare services:** A Democratic sweep will likely be perceived as a positive for Medicaid-focused managed care companies such as CNC and MOH, while likely eliciting a more muted response from diversified managed-care stocks (UNH, CVS). The outcome would give Congress greater latitude to pursue Democratic healthcare priorities, including reinstating enhanced ACA subsidies or reversing elements of the GOP's Medicaid cuts, such as work requirements. Although we continue to view meaningful healthcare policy changes as unlikely before the next presidential election cycle, the results could shift the policy narrative, particularly following the departure of several key supporters of Trump's healthcare / MAHA agenda. Medicare Advantage-focused companies such as HUM could ebb as a knee-jerk reaction, given that MA remains more closely associated with the Republican policy agenda. However, in our view, the stock reaction is likely disproportionately favorable for Medicaid.

Exhibit 3: Cross-Asset Market Reaction Summary

Outcome	Republican Hold (R House and Senate) *Status quo*	Democratic Sweep (D House and Senate) *Democrats leverage to enact some policies*	Divided Government (D House, R Senate) *Most gridlock*
Policy Variables			
Fiscal Policy	• Neutral to expansionary	• Upside risks to growth, overall deficit likely steady	• Downside risks to growth via fiscal episodic debates
Tariffs/Trade Policy	Under executive power, unlikely to see significant change	Under executive power, unlikely to see significant change	
De-regulation	• Agency-led actions continue	• Oversight hearings potentially slow at the margin • Agency heads unconfirmed longer	• Oversight hearings largely do not affect process
Impacts			
US Economics *Michael Gapen*	• Slight upside to GDP/deficit if defense is larger	• Upside to growth given delays or pullbacks to SNAP and Medicaid	• Downside risks to growth via shutdowns & cuts implemented as scheduled
US Equities *Michael Wilson* *Andrew Pauker* *Mick Lanser*	• Status quo: OBBBA intact	• Uncertainty is a headwind to index-level prices • Potential delay of SNAP and Medicaid cuts is a tailwind to consumer sectors	• Incremental headwind to AI on data center pushback, otherwise similar to R win • Pushback does not significantly derail or delay AI capex spending
US Rates *Matthew Hornbach* *Martin Tobias*	• Only deficits larger than investors currently expect should move the curve • R-led reconciliation, available beyond the lame duck, is the main upside risk to Treasury's borrowing needs • Added issuance lands in the 2-7-year sector: belly cheapens, 5s30s flattens	• Removes the main upside risk to borrowing needs (R-led reconciliation) from January, pre-election pricing embedded little of it • Delayed SNAP/Medicaid cuts add 2-7 year supply: belly underperforms on net, but only slightly • Front end and financing matter more: bills around the x-date cheapen unless the lame duck raises the debt limit	• Borrowing needs stay on their current path: least 2-7 year supply pressure of the three outcomes, belly richens • 2027 debt limit, largest x-date premium in bills of the three outcomes if the lame duck leaves the limit in place • Narrower legislative variance means lower rate volatility
G10 FX *Andrew Watrous* *David Adams*	• Higher US yields support USD versus EUR and JPY. • AI optimism and renewed carry demand favor AUD and CAD over low yielders. • Greater perceived Iran escalation risk lifts the oil risk premium, supporting NOK/SEK.	• Near-term trading consistent with our defense regime favoring JPY, CHF and EUR versus USD. • AI headwinds leave AUD lagging on crosses, targeted tariff risks weigh on CAD versus low yielders. • Greater perceived constraints on geopolitical escalation weigh on NOK/SEK.	• An intact AI cycle and position rebuilding support AUD/USD. • Renewed carry demand and European fiscal risks weigh on EUR versus USD and AUD. • Investors rebuilding popular shorts pull USD/JPY lower, reinforced by lower US yields.
EM Sovereign Credit *Simon Waever*	• Slight (+) for the LatAm sovereigns that have established close working relationships with President Trump (Argentina, Venezuela, Ecuador, El Salvador and Colombia)	• Slight (-) for the LatAm sovereigns that depend on unorthodox support given increased scrutiny • Unlikely to stop the actual support given executive actions	• Slight (-) for the LatAm sovereigns that depend on unorthodox support given increased scrutiny • Unlikely to stop the actual support given executive actions

Source: Morgan Stanley Research

Lame Duck: What Happens Next?

We highlight the below policy catalysts to watch into year-end:

- **Funding:** The government passed a continuing resolution (CR) to keep funding levels flat through December 11. At that point, Congress will need to pass either another CR or full-year appropriations to avoid another shutdown. Democratic leadership has signaled a preference for finishing the bills in the lame duck session, but the election results, in our view, should decide whether leaders prolong the debate into 2027. Our prior research highlights that the shutdown impact on markets is limited to delayed data releases rather than material economic downside risk. We also noted in our DC takeaways note that experts see meaningful risk that a CR runs into CY27.
- **Defense:** Our base case is that the FY27 NDAA passes by year-end. **What to watch in the bill:** We see potential for the partial inclusion of some export control legislation, including the MATCH Act (aligning allied controls), AI OVERWATCH (codifying Commerce's chip export policy), Chip Security (location verification), and RASA (the Remote Access Security Act). Overall, we think the direction of travel is more restrictions, increasingly driven by Congress while the administration prioritizes stability with China. **On DoW base budget funding vs. supplemental:**

We see the ~$1.5tr ask from the White House as ambitious, but will watch for a potential reconciliation effort in the next few months to provide supplemental appropriations. While OMB Director Russell Vought expressed optimism in early October that GOP members will get reconciliation over the finish line during the lame-duck session, we still view such efforts as largely an uphill battle.

- **"Reconciliation 3.0":** Aside from the supplemental defense funding, the lame duck session is the last clean window for a GOP-only package. We think the legislative calendar is tight and there are several competing priorities into year-end, but this would be the main upside risk to Treasury borrowing needs per our rates strategists. The debt limit similarly could be proactively addressed in a reconciliation package before year-end, but we think the more likely course of action is that the debt ceiling remains a late 2027 catalyst. Based on projected borrowing needs, our rates strategists estimate total public debt outstanding hits the limit (i.e., the limit becomes binding) by March 2027, and that the x-date — the date at which Treasury exhausts all its extraordinary measures and cash balance, leaving it unable to meet all of its obligations in full and on time — lies in late 3Q27.
- **Leadership elections:** Leadership votes are held shortly after the election, in addition to committee assignments. Tonight's results hand chairmanships to Democrats, usually the prior ranking member. More broadly, these committee/ chairmanship assignments and votes can be indicative of where the overall policy may be heading with respect to a particular topic (such as healthcare, via the HELP committee, for example).
- **US-China relations:** Presidents Trump & Xi have several potential further meetings this year, in particular APEC in Shenzhen on Nov 18-19 and the G20 in Miami on Dec 14-15. Our pre-summit base case in September was managed competition: a rollover with targeted tariff relief, the broad framework intact, a ~$30bn non-sensitive trade framework, and AI on a separate escalation track. We expect similar limited agreements – and on the flip side, potential limited escalation – as these meetings unfold throughout the duration of this year.
- **Permitting reform:** The bipartisan *American Affordability and Jobs Act* would reform federal environmental reviews and give more certainty to already-approved projects, in addition to requiring data centers to cover their associated transmission costs (which effectively moves the Ratepayer Protection Pledge from a voluntary commitment toward a federal requirement). We think passage is uncertain given substantial policy differences and a limited legislative calendar.

Data Center Restrictions in Focus

See Powered Shell Providers: Midterm Implications for the "Time to Power" Stocks for more

Democrat Gina Hinojosa's victory in the gubernatorial race in Texas could bring greater policy uncertainty and constraint on future supply, increasing the relative value and pricing power of existing, power-secured facilities. In August, Texas paused portions of its data center interconnection process after Gov. Greg Abbott ordered an audit of all data center projects in ERCOT's queue. Interconnection requests had reached approximately 474 GW, more than 5x ERCOT's record peak electricity demand, with data centers representing roughly 90% of new power requests. Gov. Abbott warned that development on this scale could threaten grid reliability and stability, prompting ERCOT to delay its Batch Zero transmission planning study for the first group of projects entering Texas' new large load interconnection process. The audit was intended in part to distinguish credible projects from speculative requests that may be inflating Texas' demand outlook. **In terms of actions a Texas Governor can take: (1)** an executive order to temporarily pause new projects until the legislature can put real guidelines in place (but if a Republican-led legislature acts quickly, this could be a number of months), **(2)** make appointments to the power regulatory body (the PUCT - these are 6-year terms that come up in 2027), (3) provide policy direction to various state agencies on permitting (ie halting permits that an agency hasn't issued yet). Governor-elect Hinojosa has advocated for a a moratorium until laws are passed (applying to new permits, not for those already under construction). **What would require legislation: (1)** more durable changes, including tax changes including ending tax breaks (sales-tax exemption), **(2)** giving localities power to reject projects (Governor-elect Hinojosa has planned to empower local officials to negotiate with developers, which requires a change in the law), **(3)** codifying ratepayer protections, and **(4)** union hiring requirements all will require consent from the state legislature. In Ohio, the election of the Democratic candidate, Dr. Amy Acton, creates significant risk of data center project delays in the state. The largest project at risk in Ohio is the 10 gigawatt project involving NVIDIA and a major US AI lab. Another large project that is under construction is the 1.5 gigawatt Amazon facility in Fayette County. In May, Ohio enacted a moratorium on consideration of new data center tax exemption requests, while the General Assembly studies the growth of data centers in Ohio (tax exemption is a critically important consideration when a data center selects a location).

Stocks with largest Texas data center and Behind the Meter power exposure: CIFR, MARA, GLXY, SEI, VST, CEG, AEP, SRE, CNP and NRG, power equipment stocks. Relative "time to power" winners: WMB, EQIX, DLR, WULF, APLD, PEG, TLN, BE, HUT in Louisiana.

We expect the PSPs with significant exposure to Texas could be under pressure. Our initial reaction is that our assumed probabilities of many potential Texas data center projects will likely need to be reduced, especially for projects subject to the Batch process. We will be keenly watching for comments from Governor-elect Hinojosa, particularly as it relates to the potential for freezes on the final classification of proposed data centers subject to the Batch process, including **GLXY**'s Helios II, **CIFR**'s Colchis site and **MARA**'s development project. We would also want to better understand whether projects under construction,

including GLXY Phase II and III of Helios I, **HUT**'s Beacon Point, and **CIFR**'s multiple projects - we believe these projects are less exposed to policy uncertainty. In our base case valuation of **CIFR**, our valuation of existing leases and Bitcoin mining assets totals $18/share, and we also include a 56% weighted probability of CIFR's additional sites signing data center lease transactions, resulting in our $51.50 Price Target. CIFR's bear case of $5/share assumes zero incremental data center projects, and includes conservative assumptions regarding the value of the company's existing contracts. Regarding **GLXY**, we had only assigned 20% probability to eventual energization of projects beyond Helios II (e.g., Caspian, Selene, etc). On the other hand we had assigned 95% probability that Helios II (830 MW total) would be contracted and begin to generate revenue as expected (in mid 2028), while we had 100% probability that the CRWV-contracted Helios I, Phases II (~400 MW total) and III (~200 MW total) would energize on-time (Mid-'27 and Mid-'28, respectively). In our overall $43 sum-of-the-parts valuation, we had valued GLXY's Digital Asset Business at ~$3.73/share, Helios I (all 3 phases contracted to CRWV) at $7.39/share, Helios II + Merlin (904 MW total) at $17.58/share, Other DC assets (e.g. Selene, Caspian, Helios III, et al) at $10.65/share. The remainder of the SOTP is the net value of Galaxy owned digital assets and debt. Regarding **RIOT**, while we believe the secure grid interconnection at the company's two large sites (Corsicana and Rockdale) could increase in value, we do see risk of proposed data center projects at the sites becoming subject to the policy uncertainty we previously discussed.

IPPs:

We expect knee-jerk underperformance across the group, but continue to see valuation support from cash flows on current assets, contracts, and forward curves before considering data center upside. We think underperformance initially would be led by VST and followed by NRG and CEG. TLN and PEG do not have Texas exposure - We would expect pressure on sentiment to impact TLN and PEG shares but would expect relative outperformance. In our view, the stocks currently price in very little if any valuation credit for data center contracting activity or power price upside from tightening markets as a result of data center power demand. We calculate the value of VST's current assets before upside opportunities to be ~$180/share, well above yesterday'y $140 level. For CEG we estimate that value to be $249, slightly below the stock's $263 level but that would exclude all potential PJM data center contracting upside, which we still see as significant and supporting our $378 price target. For NRG we estimate that value at $129/share, well above the current $96 price, and for TLN we estimate $430 vs. the $357 stock price

We would expect modest downside in ERCOT forwards. ERCOT power prices are in modest contango through 2029 but absolute power price levels only reach the low-$50s per MWh by that time. This is far too low to incentivize meaningful new fossil plant supply, and battery storage economics have become much less attractive in the market this year. We don't think the curve is pricing in meaningful load growth to begin with, so would only expect a modest near-term decline in the curve

We would expect relative outperformance in the more heavily PJM exposed IPPs, particularly TLN and CEG, and going forward would expect investors to focus on the potential for nuclear contracts (CEG and VST) and TLN's data center contracting efforts.

Power equipment and on-site power companies

We would expect underperformance across the group due to the risk of slower data center industry growth rather than Texas-specific exposure, with engine suppliers potentially most sensitive (INIO). Equipment suppliers GEV, INIO, and BE have growth outlooks that are heavily driven by data center power demand and Texas is clearly a large and important market for data center industry growth. Of these players, GEV has the most diversified customer base and regional exposure and we would expect limited impacts to earnings forecasts (given visibility to 2030+ with significant contracted volumes) but downside in multiples across the group. Investors have debated the supply-demand balance for engine manufacturers like INIO, and Texas has been a meaningful market for onsite power with engines so INIO could potentially be exposed to slower bookings activity in 2029+. We don't see strong exposure for Bloom to Texas specifically though there are several large projects (Hedgehog, Yellowbox) seeking air permits that investors may discount more heavily.

We would call out Solaris as having attractive valuation support based on its current contracts. The company's four key long-term contracts with hyperscalers and major data center operators support an $81 valuation level assuming no future growth or contracting activity (vs. the stock at $69/share). We see risk reward skewed to the upside as a result.

Utilities

Texas exposed utilities: CNP most sensitive to downside in our view, while other TX utilities already trade at cheaper relative valuations. Potential implications could be both a slowdown in data center activity, along with the possibility that new regulatory commissioners get appointed as terms expire (two in 2027), with the prospects of utility treatment that is less favorable to investors. CNP has the highest exposure to Texas, trades at an ~11% premium, and is well-owned so could be most exposed to a downside correction. SRE, AEP, XEL, and ETR all have Texas exposure as well, and we would expect underperformance on potential earnings revisions modestly downward along with multiple compression

For gas utilities we don't see a direct impact since the Texas Railroad Commission (which oversees the group) is elected and data center activity has not meaningfully impacted companies like OGS and ATO.

We would expect investors to shift into more defensive utilities like AEE, ED, DUK, and remain in ETR (given Louisiana exposure)

EQIX should be well positioned in this environment given its nine operating Texas facilities, although the company-level benefit may be limited by the modest size of its Texas footprint (~3% of 280 global data centers) and the availability of capacity within those facilities. **DLR** has a more measurable Texas exposure - Dallas metro represented 4.2% of total annualized rent as of 3Q26. DLR's 80 MW, $300 million Digital Garland project remains exposed to the incoming administration's treatment of ERCOT's verification process, but a slower or more restrictive approval environment could increase the scarcity value of DLR's stabilized, power-secured assets. Shares for both operators have exhibited a higher beta to broader AI-related headline volatility, creating risk of short-term price volatility - however we remain positive on colocation data centers and believe incumbent operators should see further pricing power.

WULF is insulated against Texas data center regulatory uncertainty, and its likely next data center project is, in our view, in Kentucky, where we see significant support for WULF's data center development in the state. WULF navigated a moratorium at Lake Mariner and a potential moratorium at Justified and neither event materially affected site delivery or overall scheduling. WULF's experience building power projects and managing moratoriums could favor the company and reinforce our view that WULF's management is one of the strongest in the sector. **APLD** is also a relative beneficiary, given lack of exposure in Texas and a focus on growth in states that we view as politically favorable.

We view Bloom Energy (**BE**) as well positioned in an environment in which Democrats may increasingly push back against the environmental and noise impacts from natural gas turbines. Given Bloom Energy's lack of harmful pollutants such as sulfur dioxide and nitrous oxide, the lack of water usage, and lack of noise generation, we see Bloom Energy's fuel cells as an attractive alternative in some states, relative to natural gas turbines.

We continue to have a high level of conviction that WMB is materially mispriced relative to BTM data center power growth that is likely to become more clearly visible over the next 12-24 months. As a provider of BTM power solutions that leverage its natural gas pipeline footprint, WMB offers geographic flexibility and gas turbine access through large pre-orders that allow it to provide gas-fired power to hyperscalers inside of 18-24 months of contract signing. We see an attractive asymmetry at current levels, with significant upside if further data center projects materialize. Subsequent positive growth capex and EBITDA estimate revisions, should they materialize, both (1) lower forward consensus multiples and (2) justify further re-rating to account for widening above-sector growth and out-year sustainability, in our view.

We expect terminal value concerns with WMB's power projects to diminish as the competitive benefits and long-term optionality of WMB's power infrastructure become clearer. We continue to believe the most likely post-contract outcome for these power generation assets will be customer renewal, with decade+ operational histories at that point to inform the renewal decision, complexities with grid access that are not easily resolved and revenue share agreements that can co-exist with grid access (sale of excess power to the grid) all supporting factors. Longer duration PPAs (15+ years) and use of combined cycle turbines in future site designs should further improve asset longevity. To the extent not renewed, WMB has options in what likely will be power short markets and could then look to sell/contract the power with other offtake, divest the assets, or repurpose and rate base the turbines (60-70% of project capex) in interstate pipeline compressor stations. Within the first contract, WMB will have earned full return of and on capital.

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(as of October 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1575	43%	460	49%	29%	742	44%
Equal-weight/Hold	1537	42%	393	42%	26%	720	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	92	10%	16%	218	13%
Total	3,684		946			1681	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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