JP Morgan's purchase of Bear Stearns will NOT precipitate consolidation says wealth management M&A expert

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Will the news that JP Morgan has bought Bear Stearns precipitate a surge of M&A activity in the private banking and wealth management sector?

Some commentators are (once again) talking up the prospects of wholesale consolidation in the sector. But this is a view not shared by Ray Soudah, the founder and chief executive of Zug-based Millenium Associates, a specialist M&A consultancy that focuses almost exclusively on the private wealth management sector.

According to Mr Soudah the latest bout of volatility in global and credit markets will have a marginal effect on private banking and wealth management markets.

“Valuations will only soften slowly for unlisted entities, especially for unlisted businesses,” he told *thewealthnet.* “The point is that these are non- capital intensive businesses. And we are really in a capital crunch, not just a credit crunch”.

There may be disposals of small to medium-sized wealth management firms by troubled parents. “But this will not be the case at other firms,” he continued. “Firms that are performing reasonably well are unlikely to want to sell their profitable arms at a time when their investment and commercial banking arms may be underperforming”.

“Firms whose core business is strong will remain as buyers and the buy sell ratio will remain unbalanced.”

This all ties in with *thewealthnet’s* long held view that the sector is as likely to deconsolidate as it is to consolidate.