



TFA

Monthly Newsletter

December 2023

IN THE NEWS

Where the 2024 presidential candidates stand on Indigenous issues

11/7/23 – [ictnews.org](https://www.ictnews.org)

Native American Statue Unveiled in California's Capitol Park

11/7/23 – [news.Yahoo.com](https://news.yahoo.com)

Nation Celebrates Native American Heritage Month

11/8/23 – [defense.gov](https://www.defense.gov)

More historic wins during 2023 election – 92 Indigenous candidates from 18 states ran for local office in this year's election

11/9/23 – [ictnews.org](https://www.ictnews.org)

A look at the nearly two-year 'Road to Healing'

11/13/23 – [ictnews.org](https://www.ictnews.org)

Senate votes to make Chinook citizen a US ambassador

11/16/23 – [ictnews.org](https://www.ictnews.org)

Sky River Casino To Donate \$15,000 to Local Charities Through "Wreaths of Hope"

11/29/23 – [indiangaming.com](https://www.indiangaming.com)

Biden pledges new commitments, respect for tribal nations

11/30/23 – [apnews.com](https://www.apnews.com)

2023—A Year in Review

By Braxton Sato

Unbelievably, another year has sped by, and we are rapidly approaching the end of the year and holiday season. In this month's newsletter, we look back at some of the major themes, events and storylines from this year in business and Indian Country.

Economy

At the end of 2022, many economists and market participants were predicting some form of recession in 2023. This did not materialize. Instead – the US Economy experienced a "soft landing" as discussed in our [September Newsletter](#). US GDP grew by 6.47% through Q3 - driven by very strong consumer spending at the start of the year which is now cooling off. Despite tighter credit conditions (discussed later), investment spending by firms increased this year after flattening in 2022. October unemployment is ticking up but remains near historic lows at 3.9% (began the year at 3.4%).

Inflation has come down significantly from the extremely high levels at the end of 2022, but prices continue to rise. Businesses have continued to benefit from inflation. While lower than 2022 levels, Corporate Profits have steadily increased this year and are near all-time highs. However – many individuals are still struggling to keep up with

the cost of living. Personal Savings have come back down from the highs of the pandemic, as people's wallets continue to be impacted by inflation. Putting additional pressure on the consumer is the resumption of student loan payments in October.

A strong economy, record profits and high inflation have set the stage for perhaps the biggest year in labor organizing in US history. Hollywood went on strike, delivery workers for UPS secured huge gains, and United Auto Workers, after securing a new record contract, recently announced an enrollment drive targeting over 150,000 new members at 13 non-union automakers. In Vegas, hotel and culinary workers secured new contracts in advance of the F1 event in November. As of publication of this newsletter, casino workers in Detroit are beginning the 7th week of their strike. This trend will likely extend into 2024 and will have implications for tribally owned and operated businesses.

Capital Markets

The Federal Reserve has continued to hike rates in their (so far) successful quest to combat inflation. This "normalization" of SOFR (5.3%) and Treasury Yields (4.7% - 5.6%) pushed up borrowing costs across all capital sources and made investment deci-

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sions harder to approve. This normalization of rates also exposed cracks in the banking system. The failure of Silicon Valley Bank and two other regional banks in March created turmoil in the bank market, with many banks looking inward at their balance sheets, putting risk-management folks in the driver's seat, and shifting their focus to servicing existing clients instead of growing portfolios. Thankfully, the bank market has certainly reopened in the second half of the year, with many institutions looking to grow their loan portfolios as we enter the new year.

The regional banking crisis accelerated an already underlying trend - the boom in Private Credit. Private credit refers to direct loans to borrowers from non-bank lenders. As of October, the \$1.5 trillion Private Credit market has grown larger than the \$1.4 trillion Leveraged Loan market.

In public debt markets - the Leveraged Loan (TLB) market saw significantly more issuance volume in 2023 than in 2022 (\$273 billion YTD vs. \$221 billion prior YTD) as did the Bond Market (\$161 billion YTD vs. \$101 billion prior YTD). Spreads also came down materially this year, offsetting increases in underlying Treasury rates.

While borrowing conditions remain good, we have seen an overall decline in leverage among our clients, as tribes continue to rapidly repay debt in the absence of high yielding expansion or acquisition opportunities. Tribes this year have significantly increased their debt capacity and dry powder to pursue opportunities as they arise.

Treasury Management has been a focus among many of our clients this year. After years of near zero interest rates on cash

and liquid deposits, Tribes and Casinos with large cash reserves now must be more active in their cash management strategies as returns on deposits can be significant if properly moved between money market accounts and appropriately laddered Treasuries.

Gaming Markets and Economic Development

Casinos continued to perform extremely well in terms of topline gaming revenue, while facing headwinds on the cost side. Year to Date commercial gaming revenue through September (\$50 billion) almost exceeds 2022 annual commercial revenue (\$60 billion) which beat 2021 (\$53 billion). This is driven by significant growth in Sports Betting and iGaming – a trend that looks to continue as more and more jurisdictions continue to put legalization on the ballot. Anecdotal data suggests Native American gaming will also eclipse 2022's \$40.9 billion record high year. Costs have gone up for casino operators across the country, especially with respect to payroll and insurance.

Commercial Gaming continues to expand into new and existing jurisdictions, with several tribes participating in these new commercial development opportunities (Nebraska, Illinois). There are also several tribes in-market developing their first on-reservation casino projects. There was limited off-reservation acquisition activity, Cherokee bought into the Tunica market and Poarch Creek acquired a casino in Miami.

Casinos remain the primary driver of economic development in Indian Country, and tribes may never see an opportunity with better returns and barriers to entry again. However, tribes continue to innovate and diversify their economies outside of gam-

ing, as off-reservation casino acquisitions are challenging both from a return perspective and an operating perspective. This year, many tribes have made major investments into healthcare and technology which are expected to generate significant dollars for tribal budgets. We are also seeing increased interest in tribes looking at ways of working together and investing side by side, setting up infrastructure akin to a private equity firm or family office. This is something we will continue to work on into the New Year – evaluating and identifying diversification opportunities for tribes, which ultimately need to support services for membership, nation building, and cultural preservation.

That concludes our look back at the year 2023. Obviously, a lot more has happened this year, but we tried to keep this piece focused on the most relevant information for our clients. Please let us know what you think about what happened this year, or if you have any predictions for the year to come. We appreciate you taking the time to read our newsletter and are always happy to talk in more detail about your tribe's situation.

Footnotes:

- I [FRED](#)
- II [FRED](#)
- III [bls.gov](#)
- IV [FRED](#)
- V [FRED](#)
- VI [FRED](#)
- VII [treasury.gov](#)
- VIII [wsj.com](#)
- IX [americangaming.org](#)
- X [nigc.gov](#)

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