

Caesars, Las Vegas Sands And MGM

Written by Administrator
Wednesday, 26 December 2018 14:14 -

If you purchased any of the major casino resort stocks earlier in the year then you have lost a bunch of money. Investors have been unloading them at an even greater pace than your average non-casino stock that tanked with the rest of the market in late 2018.

Buying equity in a business that depends on the dollars of tourists is great when the economy is strong and booming, but once that environment begins to change, it becomes a matter of who can get away quickly. Those firms who've borrowed heavily during the boom time may now have to deal with how to pay the debt with the possibility of less cash coming in.

Here's the index of gambling stocks that Dow Jones tracks:

Dow Jones US Gambling Index weekly price chart.stockcharts.com

This index of casino stocks is on its way to completely re-tracing the bull move from early 2016 to early 2018, a nice 2-years of solid gains. This year's January high of up above 1075 is followed by a spectacular decline to just above 575 for close to a 50% loss in value.

The index now is testing the June, 2016 dip level. This early-in-the-year peak may have been warning signal about the economy in general since the S&P 500 peaked much later, in October, 2018.

Here's the price chart for Caesars Entertainment Corporation:

Caesars weekly price chart.stockcharts.com

That's quite a move from the July, 2015 low of 3 to the January, 2018 high of 14. Investors enjoyed 2 and 1/2 years of bullish fun. This year's early peak of 14.5 is then followed by relentless unloading of stock until Caesars is all the way back to 6 for a drop of more than 50%.

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The company had a good year of earnings last year and the 5-year record is positive. Long-term debt exceeds shareholder equity by 6 times which might be one of the reasons for the rather steep short float of 16%. That much short interest could provide fuel for a rally if they're ever forced to cover, of course.

Here's the Las Vegas Sands price chart:

Las Vegas Sands weekly price chart.stockcharts.com

That's a bull run from 30 in January of 2016 to 78 in June of 2018. The stock now trades for 48. Las Vegas Sands is the casino company run by Donald Trump's good friend, the billionaire Sheldon Adelson. Last year's earnings were good and the 5-year record is green. Long-term debt slightly exceeds shareholder equity, but nothing like Caesars. For comparison's sake, this casino company's short float is a mere 2.6%. LVS continues to pay a 6.1% dividend yield.

Here's the MGM Resorts price chart:

MGM Resorts weekly price chart.stockcharts.com

From 16 in early 2016 to 37 in early 2018 is better than a double. But the drop to 22 means the stock has given back more than half the gain. MGM's earnings were off this year but they look positive from the 5-year standpoint. Long-term debt exceeds shareholder equity by more than 2 times. The company pays a dividend yield that comes to 2.2%.

Here's the price chart for Boyd Gaming:

Boyd Gaming Corporation weekly price chart.stockcharts.com

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It looks as if buyers became crazily bullish during 2017 as the stock moved from 19 to 40 in less than 12 months. Things completely reversed over the next 12 months and now Boyd is all the way back to 19 again. Talk about gambling. Earnings were off last year.

The 5-year earnings record, though, is positive. Long-term debt exceeds shareholder equity by more than 3 times. The short float at 6.7% is a bit higher than your average stock. Earlier this month the Morgan Stanley analysts moved Boyd from "equal weight" to "overweight," for what it's worth.

I used to live and work in Las Vegas but I'm no expert on the business of gaming, just for the record. I did, however, learn to count cards at the blackjack tables of these and other Sin City casinos. You can read about my card-counting exploits [here](#) , [here](#) and [here](#) .

Stats courtesy of [FinViz.com](#) .

I do not hold positions in these investments. No recommendations are made one way or the other. If you're an investor, you'd want to look much deeper into each of these situations. You can lose money trading or investing in stocks and other instruments. Always do your own independent research, due diligence and seek professional advice from a licensed investment advisor.

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