Concerns about global economic slowdown and the trade war between the United States and China wreaked havoc on casinos in Macau in 2018. On the other hand, improving conditions in Los Angeles have ensured that the fortunes for the domestic casino industry are relatively better.

It is not that Los Angeles-based casinos have performed well but losses have been far less compared to Macau and in some instances judicious business strategies have boosted their overall performance. Further, Morgan Stanley (MS - Free Report) also suggests that investors must invest in LA-based casino stocks in 2019. Let's find out what we can expect from gambling stocks this year.

Los Angeles to Overshadow Macau in 2019

Per a report published by Morgan Stanley on Jan 18, Las Vegas casinos will shine in 2019. Moreover, the firm suggests that investors looking to invest in casino stocks this year should look no further than Los Angeles- based casinos. Macau, on the other, hand will continue reeling under the pressure of poor performance this year.

Casinos in Los Angeles witnessed a rebound in the last quarter of 2018. Moreover, conventional traffic at such casinos is likely to improve this year. Per the report, indirect factors like an increase in flight capacity to Los Angeles and a healthy macroeconomic backdrop will propel gains for U.S. casino stocks this year.

Finally, low valuations and sensible expectations from the stocks will also propel the space and act as "prolonged drivers into 2020." At the same time, earnings for Macau-based casinos are expected to decline to 2% annual growth in 2019 from 5% last year.

U.S. Casino Stocks to Gain Most in 2019

One reason why such U.S. casino stocks would gain is that Macau focuses more on the VIP

segment, while casinos in Los Angeles target mass-market gamblers, giving them a slighter edge over Macau.

Los Angeles-based MGM Resorts (MGM - Free Report) is one stock poised to fly high this year. The company's Las Vegas business is likely to perform well on the back of an improving economic scenario and increased tourism numbers. MGM has outperformed the broader industry (24.7% vs 14.7%) over the past three years.

Wynn Resorts (WYNN - Free Report) also looks poised to benefit this year. In order to boost performance in Las Vegas, the company has remodeled rooms at its properties and the baccarat pit. The company has outperformed the broader industry (38.9% vs 17.8%) over the past three years. Both Wynn Resorts and MGM Resorts carry a Zacks Rank #3 (Hold). You can see **the complete list of today's Zacks #1 Rank (Strong Buy) stocks here**.

Las Vegas Sands (LVS - Free Report) is on the verge of winning a license in Japan, after the Asian country recently legalized gambling. It has outperformed the broader industry (5.1% vs 0.7%) over the past two years.

Reno, NV- based Eldorado Resorts, Inc. (ERI - Free Report) also deserves a mention here. The fact that this company generates all of its income from within the United States may appeal to those investors wanting to avoid a casino stock having Chinese exposure. The company has outperformed the broader industry (more than 100% vs 14.7%) over the past two years.

To Conclude

Most of the brick-and-mortar casinos have revised their business strategies by focusing more on innovation. Increased use of interactive slot machines, immersive gaming areas and

customer centricity will likely increase the attractiveness of gambling in reality rather than virtually.

Investors should look forward to investing in casino stocks this year as the scenario is expected to change significantly in 2019. The focus on a wider section of gamblers will add to the strength U.S. casinos, as opposed to those in Macau. Further, stocks are expected to provide steady returns in the year amid low valuations.

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