Casino stocks face a lethal challenge during the coronavirus pandemic, with Las Vegas, Macao, Atlantic City, and other major venues around the world closing down operations. Even the Indian Nations are getting hit hard, offering no alternative to big city or riverboat gambling. The shutdown could signal bankruptcy for major players if it extends beyond early May, with lodging, gaming, food, entertainment, and liquor sales all drying up.

In addition, there are no guarantees that customers will return after everything reopens, due to lingering fears about air travel and large gatherings. It's also possible that new outbreaks linger for months or the disease becomes an annual event, at least until enough folks have developed immunity. Indeed, it's hard to foresee a scenario in which these tourist destinations look anything like they have in recent years.

The closure has affected at least 95% of all U.S. casinos, with Deadwood, South Dakota, one of the last holdouts. Wynn Resorts, Limited (WYNN) and Las Vegas Sands Corp. (LVS) have been hit especially hard, with their Macao operations shutting down well before Las Vegas closed its doors a few weeks ago. However, it's also possible that Asian income will come back online before the United States, with the pandemic apparently winding down in that part of the world.

TradingView.com

Wynn Resorts stock topped out near $165 at the end of 2007 and plunged into the lower teens during the 2008 economic collapse. A V-shaped recovery completed a round trip into the prior high in 2011, but the stock didn't break out until the fourth quarter of 2013. That bullish impulse posted an all-time high at $249 in March 2014, giving way to a steep decline that failed the breakout about nine months later.

The sell-off found support near $60 at the end of 2015, yielding an uptick that failed near the .786 Fibonacci sell-off retracement level at the start of 2018. The subsequent decline initially ended in the mid-$90s, but 2020 selling pressure broke that trading floor earlier this month, yielding a steep downdraft that completed a 100% retracement into the 2015 low, which marks support. That level is closely aligned with the .786 retracement of the 2009 into 2014 uptrend.

Price action has stabilized just below that support level in the past two weeks, but long-term rel ative strength cycles predict that the effort will eventually fail, triggering a final selling wave into the 2009 low and narrowly aligned 2002 initial public offering (IPO) level. There's nothing to do on the buy side with this wickedly bearish pattern because it will now take a buying spike above the 50-month exponential moving average (EMA) near $120 to ease the bearish technical outlook.

TradingView.Com

Las Vegas Sands stock barely survived the 2008 crash because it carried high debt levels at that time due to Macao construction projects. Given those headwinds, it wasn't surprising that the stock recovered slowly in the new bull market, finally topping out just above the 50% sell-off retracement level in 2014. The subsequent downtrend into 2016 ended in the mid-$30s, completing a trading range that wasn't challenged until this month.

The stock has ended declines at this trading floor since 2010, so it marks a line in the sand for remaining bulls. Unfortunately, the monthly stochastic oscillator is fully engaged in a bearish cycle that may continue into the third quarter, raising the odds for a breakdown and selling climax into the 2009 low in the single digits. Given this destructive set-up, the best that bulls can hope for will be an oversold bounce into new resistance in the $50s.

Casino stocks with exposure in Las Vegas, Macao, and other hot spots have been battered by the pandemic, with closures of gaming halls, restaurants, bars, and entertainment obliterating cash reserves. Many of these operations may not survive in the coming months, warning shareholders to take protective measures.

Disclosure: The author held no positions in the aforementioned securities at the time of publication.

Read more https://www.investopedia.com/can-casino-stocks-survive-the-pandemic-4801265