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Wynn Macau, Casino Operators Decline on China Rates Concerns

By Frank Longid and Emily Chan - Jan 22, 2010

Jan. 22 (Bloomberg) -- [Wynn Macau Ltd.](#), controlled by billionaire [Stephen Wynn's](#) casino operator, fell the most in almost three months in Hong Kong trading on speculation China will tighten policies to curb inflation.

[Wynn Macau](#) tumbled 5.7 percent to HK\$9.60, the most since Oct. 28. Billionaire [Stanley Ho's SJM Holdings Ltd.](#) slid 2.2 percent after earlier falling the most in almost two months. The [Hang Seng Index](#) fell 0.65 percent, capping its worst week since November.

[China's](#) economic growth in the fourth quarter accelerated to 10.7 percent, the fastest pace since 2007, stoking speculation the central bank will start raising its benchmark interest rate and tighten restrictions on the nation's lenders to curb inflation. That offset a CLSA Ltd. forecast that [Macau](#), the world's biggest gambling hub, may see wagering revenue expand by a record 50 percent in January.

"After the credit crunch, investors are more acutely sensitive to monetary conditions in China and their impact on Macau's VIP segment, which is largely driven by liquidity and availability of credit on the mainland," [Gary Pinge](#), a Hong Kong-based analyst at Macquarie Securities, said by phone.

High rollers who play high-stakes games in so-called VIP rooms contributed 66.3 percent of Macau's 120.4 billion patacas (\$15 billion) [ingambling revenue](#) last year.

Reserve Ratio

China on Jan. 12 unexpectedly raised the proportion of deposits that banks must set aside as reserves to cool the world's fastest-growing major economy as a credit boom threatens to stoke inflation and create asset bubbles.

"A significant contraction in liquidity" may hurt casino operators' revenue, CLSA analyst [Aaron Fischer](#) said in a note to clients. "Liquidity goes into Macau's VIP market just like it goes into the equity and property markets."

Macau gambling revenue surged 50 percent in the fourth quarter to 36.2 billion patacas, according to the city government, which doesn't officially release monthly figures. [Las Vegas Sands Corp.](#), operator of the Venetian casinos, made 74 percent of its third-quarter sales in Macau.

[Galaxy Entertainment Group Ltd.](#), part-owned by Permira Advisers LLP, fell 1.85 percent to HK\$3.18 after earlier retreating as much as 14 percent. [Melco International Development Ltd.](#), which runs a Macau casino venture with Australia's richest man, [James Packer](#), declined 1.6 percent to HK\$3.12.

Sands China

Sands China Ltd., a unit of Las Vegas Sands, gained 0.9 percent to HK\$10.88, after earlier dropping as much as 2.8 percent. SJM shares closed at HK\$4.10.

“Casino stocks are highly rated and tend to react in a more volatile way,” Billy Ng, a Hong-Kong based analyst at JPMorgan Chase & Co., said by phone. Ng has an “overweight” rating on Galaxy.

An increase in reserve requirements “is an indirect precursor to re-tightening of Macau visa restrictions,” Bill Lerner, a Las Vegas-based analyst at Union Gaming Group LLC, said in a note.

Residents of mainland China need visas to go to Macau, the only place in the country where casinos are legal.

Gambling revenue in the only Chinese city where casinos are legal grew 67 percent in the first 20 days of the month, Fischer said, citing unidentified people. “The growth rate will slow down over the last 10 days but we are still looking at monthly growth of around 50 percent.”

Casinos contributed 99 percent to Macau’s gambling revenue, with the rest coming from greyhound racing, horse racing and lotteries.

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