HD **Positive stats can hide retail woes**

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DARE we suggest that statistics don't always convey the full story?

Yesterday's official retail stats for October showed a respectable 0.4 per cent rise for the month, or 5.7 per cent year-on-year.

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In a blow for cashed-up bogans and importers of utes and Woodstock bourbon, growth now lags that of NSW and Victoria.

Still, we would be vexed worried if low interest rates, reasonable employment and petrol prices hadn't resulted in an uptick.

Behind the stats though, the discretionary sector — or at least parts thereof — look vulnerable.

Fashion retailer and wholesaler PAS Group (PGR, 64c) was whacked 15 per cent yesterday after Wednesday's aftermarket profit warning.

Ominously, PAS notes the weakness in its wholesale arm, which supplies house brands to Wesfarmers' Target.

The Review and Metalicus brands, sold through department stores that includes Myer, are also trading below par.

On the one hand, PAS may be typical of an over-hyped IPO destined to disappoint.

Despite strong support ahead of the June listing, PAS never traded above its $1.15 a share issue price.

On the other hand, the downgrade could be a portent of broader weakness. We can't see the likes of Myer (MYR, $1.61), Super Retail (SUL, $7.72) and The Reject Shop (TRS, $6.39) shooting the fairy lights out on yuletide sales.

The PAS downgrade means full-year EBITDA will be 10-15 per cent lower than the $33 **million** outlined in the prospects.

With EBITDA of $8.6m forecast for the traditionally quieter first-half, a heroic second-half is required. Sell.

Crater **Gold** (CGN) 12c

IN the Seinfeld episode "The Opposites", George Costanza acts contrary to his natural base instincts and this lands him with an attractive girlfriend and a great job offer.

George being George, it all goes pear-shaped in the end. Here's hoping this PNG **gold** junior can avoid the same fate with its counterintuitive approach to mine development.

Crater's approach is to go small and early with an undefined resource on a small high-grade portion of its tenement, targeting annual output of a mere 12,000 ounces.

CEO Greg Starr proudly notes that Crater is using processing systems that looked outdated 50 years ago, including a concentrator the size of a cement mixer and hand-pulled boggers.

The retro approach means Crater expects to extract the stuff for an “all-in” cash cost of $400 an ounce, allowing for a generous buffer given gold still trades around $A1300 an ounce.

Crater is 60 per cent-owned (and chaired) by Chinese squillionaire Sam Chan, who holds the global rights to the Burberry brand.

Chan has made it clear he prefers dividends over capital growth.

Having obtained a mining licence for the high-grade stuff last month, Crater is poised for production. The envisaged output implies annual free cash flow of $10m, which supports a spec buy on the $17m market cap stock.

Copper producers

AS with the iron ore producers, the multi-billion-dollar question is whether the sharp share price falls suffered by the copper majors more than compensates for the decline in the underlying commodity.

The copper price has fallen about 10 per cent since June 30, but the industrial ingredient looks to be on safer ground as the US economy recovers.

At least we think it is.

On Credit Suisse numbers, the valuations of OZ Minerals (OZL, $3.29), PanAust (PNA, $1.49) and Sandfire Resources (SFR, $4.49) imply a spot copper price south of the current $US2.90 a pound.

There’s also added upside from cost-cutting as the miners take harsh decisions.

On the firm’s appraisal, Sandfire trades only 1 per cent below net present value of $4.44 a share, but OZ Minerals is 9 per cent under par and PanAust is a whopping 26 per cent “undervalued”.

Separately, UBS rates Sandfire as the cheapest producer based on “all-in” costs of $US2.12 a pound, with PanAust on $US2.26 a pound and OZ on $US2.62 a pound.

Commodity jitters aside, there have been sound individual reasons to be wary of our copper greats.

Sandfire is recovering from a soggy case of “water ingress’’ at its DeGrussa mine, while last month PanAust CEO Gary Stafford departed in messy circumstances.

PanAust’s acquisition of the undeveloped Frieda River project in PNG offers bounteous potential — but also with the potential to be a short-term drag.

OZ Minerals’ Carrapateena growth project in SA remains under a cloud. At least the share price ascribes little or no value to this asset.

We rate PanAust as a spec buy for those confident the red metal won’t go the same way as the red dirt price-wise.

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