Plunging gold sparks sale of mining stocks

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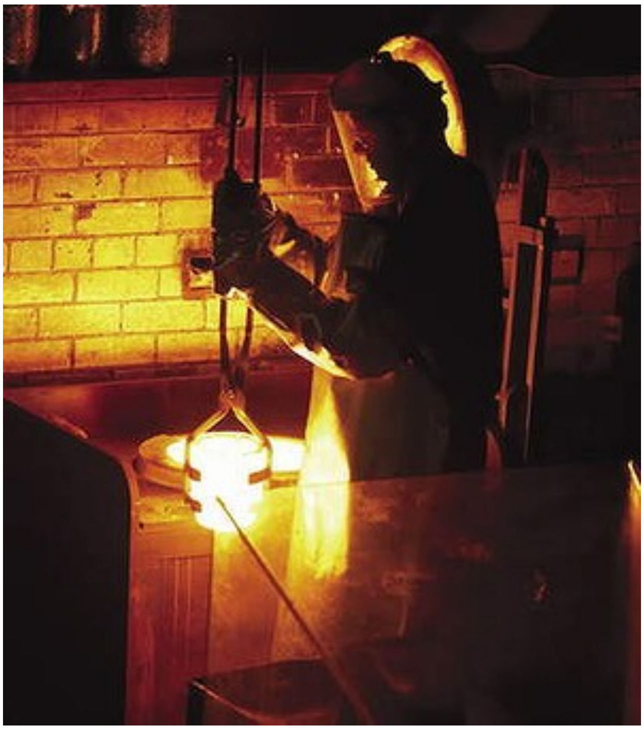
An overnight fall in the gold price below $US1400 ($1416) an ounce sparked a sell-off of local mining stocks, as commodities slipped on weak global economic data and a strengthening US dollar.



Gold prices fell more than 2 per cent in a five-day losing streak.

A sharp drop in the gold price for the second time in a month rattled Australia's fourth-largest mineral export industry, with gold producers making up seven of the top 10 losers on the ASX200 on Thursday.

Gold fell to $US1375 an ounce late on Thursday, sinking more than 2 per cent in a five-day losing streak that saw it hit two-year lows.

Copper fell to its lowest level in nearly two weeks on the back of soft data from the US, Europe and China. Iron ore, Australia's biggest export item, fell to a 2013 low of $US126.40 a tonne.

Morgan Stanley commodities analyst Joel Crane said while fundamentals in commodities remained good, "many investors clearly feel there are more compelling places to invest at the moment" due to "uncertainty over growth and stronger supply growth."

FC Stone analyst Edward Meir expected gold prices to keep softening, reversing a rally following the price collapse in April. "We could eventually test those old lows and take them out over the course of the summer," he told Bloomberg TV.

Shares in gold giant Newcrest Mining fell 5.3 per cent to finish at $15.02, while Evolution Mining, Australia's fourth-biggest gold producer, suffered a sharp 11.23 per cent fall in its share price.

Mr Crane said recent weakness in commodity prices was driven by uncertainty over

China's macroeconomic outlook and a slowing in demand. Despite the commodities market softness he believed most prices were bottoming out as downward pressures reduced. "Commodities are generally quite forward-looking, and the market was right to pare back at the beginning of the year," he said.

Jordan Eliseo, chief economist at precious metal supplier ABC Bullion, said the market was in a "corrective phase".

"The incredible rally in the US dollar … has weighed down sentiment in precious metals due to the inverse correlation with the dollar and gold."