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Gold glistens above US\$1,500, hits new six-year high as global stocks tumble

The gold price hit a six-year high on Wednesday, topping US\$1,500 an ounce as investors turn to the precious metal amidst trade fears and tumbling stocks abroad.

As of Wednesday afternoon, the yellow metal was trading at US\$1,506.62, over a 2% increase for the week and well above the US\$1,200 mark it sat at this time last year.

On Wall Street on Wednesday, a drop-in bond yields caused stocks to fall, underlining tensions traders have over the US trade dispute with China.

The Dow Jones Industrial Average was down over 367 points in afternoon trading on Wall Street.

Elsewhere, the yield on the 10-year US treasury note was down 6.8 basis points - 100 basis points equals a full percentage point - at 1.639% while the 10-year gilt's yield fell 4.3 basis points to 0.473%.

"Safer pastures"

"Contrasted with gold's giddy gains was the 350-point plunge suffered by the Dow Jones," wrote market analyst Connor Campbell at Spreadex, a UK-based financial trading site.

"Undoing a good chunk of Tuesday's rebound the Dow found itself back below 25,650, the index suffering from a rush of investors heading for the exit door seeking safer pastures."

The Dow was not the only US indexes to suffer. The S&P 500 index lost nearly 2% in morning trading before gaining ground to reach 2,882 by the afternoon; the tech-laden Nasdaq exchange shed 61 points.

Trade wars escalate

Gold's run can largely be attributed to the escalating trade war between the US and China, which is causing stocks to slump in North America, as well to a weakened dollar following last week's first US interest rate cut in over a decade by the Federal Reserve.

However, the fear was not confined to the Americas: New Zealand's dollar stumbled after it's central bank also cut rates on Wednesday, while neighbouring Australia's dollar dropped to a decade low. Currencies in India and Thailand also slipped.

In Canada, the loonie dipped below US\$0.75 in the morning before inching higher but was still down 0.3% in the afternoon.

China's yuan was weaker as well as the People's Bank of China set its daily reference rate at a weaker-than-expected figure having let it drop below the \$7 level for the first time in over a decade last week - a move seen as a retaliation to US president Donald Trump's decision last week to impose further tariffs on Chinese imports from September 1.

Oil tumbles

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Other commodity prices had mixed outlooks. Crude oil fell sharply, trading 4.2% lower to hit US\$51.37 a barrel. Meanwhile, gold's first cousin, silver, shot up 4.1% to trade at US\$17.11.

In times of uncertain economic future, gold serves as a "safe-haven" asset for investors to secure their wealth. Whether or not the precious metal can hold onto these gains is largely in the hands of politicians around the world.

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