

Cotton extends declines on weakness in grains, equities

Feb 26 (Reuters) - ICE cotton futures slipped on Friday as a dip in equity and grain markets spilled over to the natural fiber, but hopes for stronger demand and tighter supplies put prices on course for a ninth straight monthly gain.

* Cotton contracts for May fell 0.74 cent, or 0.8%, to 88.95 cents per lb, by 12:49 P.M ET (1749 GMT). It traded within a range of 87.28 and 89.63 cents a lb.

* Prices dropped 4.3% in the previous session and have retreated 6.9% from an over 2-1/2 year peak of 95.60 cents hit on Thursday.

* "Cotton's direction is going to be determined by speculative elements," said Jim Nunn, owner of Tennessee cotton brokerage Nunn Cotton, noting speculative buying could in turn be influenced by money flows into broader commodity markets.

* May cotton futures may hover around these levels for a while but when it gets closer to delivery, prices should spike on the back of mill fixations as a large number of mills have yet to fix prices, he added.

* Weighing on sentiment, Wall Street's main indexes extended losses as fears of a potential rise in inflation kept U.S. bond yields around one-year highs.

* U.S. grain markets too dropped with wheat futures sliding 2.2%, further pressuring cotton prices. Corn and soybean futures also weakened.

* But cotton was still set for a 8.7% gain this month, its ninth consecutive rise.

* A weekly export sales report from the U.S. Department of Agriculture on Thursday showed net sales of 247,800 running bales (RB) for 2020/2021 with top buyer China picking up 59,500 RB of the total.

* Certificated cotton stocks <CERT-COT-STX> deliverable as of Feb. 25 totaled 100,129 480-lb bales, down from 100,326 in the previous session. (Reporting by Nakul Iyer in Bengaluru; editing by David Evans)