The KC Robusta-Arabica Positioning Gate Signal: Cross-Coffee Speculator-Consensus Overlay

Why the product of Arabica and Robusta managed-money 3-year positioning z-scores, gated on same-sign agreement, delivers a monotone phase pattern on forward 60-day Arabica returns.

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The signal with the limits stated upfront

Three things the reader must know before the rest of this brief lands.

First, the full-distribution daily Spearman information coefficient against Arabica forward 60-day returns is plus 0.103 at p-value 2.0e-13 on a sample of 5,066 daily observations. Strongly significant. Phase +1 (Both Long-Crowded) delivers plus 0.73 percentage points above baseline across 1,700 trading days (33.2 percent of sample); Phase –1 (Both Short-Crowded) delivers minus 0.72 percentage points across 1,926 days (37.6 percent). 1.45 pp directional spread.

Second, the non-overlapping independence test at 60-day sampling is sign-consistent but not independently significant. Across 84 independent samples the Spearman is plus 0.054 with p-value 0.62.

Third, the 1.45 pp directional spread is modest. This signal is best used as a positioning-context overlay for directional signals rather than as a standalone directional trigger. Crowded positioning can persist many months before unwinding.

The thesis: cross-coffee positioning gate

Managed money is the discretionary speculator category in CFTC Commitments of Traders reports for ICE US Coffee C (Arabica) and in ICE Europe Commitments of Traders reports for Robusta Coffee. Net managed-money positioning (longs minus shorts) z-scored on a trailing 3-year rolling window captures speculator conviction in each market.

When speculators are extreme on the same side of both Arabica and Robusta simultaneously, cross-coffee positioning conviction is high and the market consensus is concentrated. When they disagree, the signal dampens to zero, filtering out noise from origin-specific divergence.

The signal takes the product of the two z-scores when both have the same sign, zero when they disagree, and tanh-bounds to plus or minus one. State thresholds plus or minus 0.2 (moderate) and

plus or minus 0.5 (extreme). Phase +1 at composite above +0.3, phase −1 below −0.3. Target: ICE US Coffee C first-nearby close.

What the firings have actually done

Computed over 5,126 daily observations post-warmup from 2006 onward.

> **Baseline Arabica forward 60-day return:** mean plus 2.65 percent / median plus 0.42 percent across the live-window sample.
>
> **Daily Spearman IC (fwd 60d):** plus 0.103, p-value 2.0e-13, N equals 5,066. Strongly significant.
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> **Non-overlap IC (60-day step):** plus 0.054, p-value 0.62, N equals 84. Sign-consistent but not independently significant.
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> **Phase-conditional forward 60-day Arabica returns:** Phase +1 (Both Long-Crowded, 1,700 days / 33.2 pct): plus 3.38 percent, edge plus 0.73 pp. Phase 0 (Disagreement, 1,500 days / 29.3 pct): plus 2.65 percent, edge near baseline. Phase −1 (Both Short-Crowded, 1,926 days / 37.6 pct): plus 1.93 percent, edge minus 0.72 pp.
>
> 1.45 pp directional spread between Phase +1 and Phase −1.

Three findings. The pattern is directionally monotone and symmetric around baseline. Phase 0 (Disagreement) delivers near-baseline returns, confirming the same-sign gate is correctly filtering noise. 1.45 pp spread is modest; the signal is best used as positioning context, not standalone.

Three cases that frame how to read the signal

The canonical anchors are the 2021 crowded-long frost rally, the 2010-2011 supercycle, and the 2019 crowded-short washed-arabica trough.

Case 1: The 2021 crowded-long frost rally

Both Long-Crowded firing anchored the 2021 Brazilian frost rally as managed money loaded up on both Arabica and Robusta into the supply-shock regime. The composite held in Phase +1 territory through the rally as cross-coffee speculator conviction peaked. Trend momentum persisted in the crowded-long regime before unwinding in late 2022.

Case 2: The 2010-2011 softs supercycle

Both Long-Crowded firing anchored the 2010-2011 softs supercycle as managed money loaded up on both coffees through the EM-demand and dollar-weakness macro backdrop. Composite held in Phase +1 territory through the rally. Macro-driven crowded-long anchor.

Case 3: The 2019 washed-arabica trough

Both Short-Crowded firing anchored the 2018-2019 softs trough as managed money shorted both Arabica and Robusta through the weak-demand, strong-dollar environment. Composite held in Phase −1 territory consistent with the loose-supply regime.

How to use this signal today

Composite is currently reading minus 0.920 in the Both Short-Crowded band. The STRESS phase began September 2026, 46 trading days ago. Cross-coffee speculator positioning has been deeply bearish on both markets through late 2026.

Pair with the following for directional conviction: the ENSO signal (long-lead ocean forcing), the Cecafe realized-price signal (short-lead transaction confirmation), the IMF benchmark signal (global reference), the water-deficit signal (medium-lead drought). This positioning signal tells you WHAT POSITION is already crowded, not WHICH way to position.

Reader rule: Both Long-Crowded firings flag momentum-persistence regimes with elevated unwind risk. Both Short-Crowded firings are the reverse. Disagreement (Phase 0) flags origin-specific divergence.

Methodology

Data source: CFTC Commitments of Traders weekly report for ICE US Coffee C (Arabica) and ICE Europe Commitments of Traders weekly report for Robusta Coffee. Computation: net managed-money positioning (longs minus shorts) for each market, z-scored on a trailing 3-year rolling window. Product of the two z-scores when both have the same sign; zero when they disagree. Tanh-bounded to plus or minus one. State thresholds plus or minus 0.2 (moderate) and plus or minus 0.5 (extreme). Phase +1 at composite above +0.3, phase −1 below −0.3. Target: ICE US Coffee C first-nearby close.

Historical window: CFTC and ICE Europe COT data available from 2006; engine runs from 2006 onward.

Validation computed on 5,126 post-warmup daily observations. Daily Spearman IC plus 0.103 at p-value 2.0e-13 across 5,066 observations, strongly significant. Phase +1 per-day forward return plus 3.38 percent (plus 0.73 pp above plus 2.65 pct baseline). Phase −1 per-day forward return plus 1.93 percent (minus 0.72 pp below baseline). 1.45 pp directional spread.

What this signal does not cover

The signal does not cover direction (it measures positioning consensus, not direction). It does not cover individual market supply or demand. It does not resolve origin-specific divergence (Phase 0 dampens these). Crowded positioning can persist many months before unwinding; not a timing trigger.

Disclaimer

This brief and the signal it describes are for informational purposes only and do not constitute investment, legal, tax, or trading advice. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not been executed, the results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. The

phase-conditional forward-return stats reported above are a full-sample unconditional measurement. Readers should consult a licensed financial professional before taking any trading action.

References

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