

Hedge Fund Manager Expects New Phase in Capital Markets

Graham Capital's investment chief Jens Foehrenbach explains why he sees a shift in market sentiment ahead – and why he is currently skeptical about US stocks. Astrid Dörner 25.07.2025 - 11:25 AM



Jens Foehrenbach: “I assume the focus will shift back to hard economic data.” Photo: PR, AP

New York. Jens Foehrenbach is one of the few German financial managers who has made a career on Wall Street. He manages around \$20 billion in client funds. His so-called macro hedge fund aims to profit from major economic trends – and looking ahead to the coming months, Foehrenbach appears optimistic in his interview with Handelsblatt.

The investment chief of Graham Capital expects that the markets will relax in the coming months. While the first half of the year was dominated by tactical and short-term trades, he predicts that more calm will prevail.

According to the financial expert, the US economy could grow again after a brief period of weakness – not least due to the tax cuts from the budget law that US President Donald Trump signed at the beginning of July. “I believe the stimulative effect of this law is currently massively underestimated.”

He, however, is steering clear of US stocks. They are currently highly valued again. “For me, the risk-reward ratio doesn’t add up to bet on rising stock prices.”

Read the entire interview with Jens Foehrenbach here:

Mr. Foehrenbach, the first half of the year in the markets was characterized by price crashes and a rapid recovery – it was like a stress test for almost all asset classes, from stocks to bonds to currencies and commodities. What are you anticipating for the rest of the year?

In recent months, it was important to be very tactical. This means we had to react quickly and flexibly to market changes – and always be prepared for surprises. However, I now assume that we are entering a new phase in the markets where a bit more calm prevails. I believe the focus will shift back to hard economic data rather than short-term and sensational headlines, especially if substantial progress is made in trade agreements in the coming weeks.



What makes you so confident? US President Donald Trump does not exactly give the impression that he intends to tone down his erratic and loud governing style.

Firstly, market volatility has decreased since April. This shows us that uncertainty in the market is slowly but steadily declining. Secondly, we assume that geopolitical tensions will at least fade somewhat into the background. Thirdly, we look positively at the US economy: Even if current data may indicate an economic slowdown, we expect a recovery by the end of the year. The “Big Beautiful Bill”...

... Donald Trump’s tax and budget package that took effect in early July...

... is growth-promoting with tax cuts and deregulation offensives. I believe the stimulative effect of this law is currently massively underestimated.

The broad stock index S&P 500 and the technology index Nasdaq have reached new all-time highs in recent days. Will an economic recovery drive stock prices even higher?

If the economy grows, US stocks may indeed rise further, that is certainly possible. But stocks are currently highly valued again. For me, the risk-reward ratio doesn’t add up to bet on further rising prices. If someone has a ten-year horizon, that might be a different story. But I don't.

What are you betting on in the second half of the year?

Like many others in the macro community, we expect the euro to gain strength against the dollar. This is one of our core assumptions. I don’t have a specific price target, but if the euro rises to \$1.20, I wouldn’t be surprised. Our greatest conviction lies with the so-called “curve steepener.” We assume that the yield curve will steepen: yields on long-term US government bonds will rise, while those on shorter-term securities will fall.

What are the drivers for this development?

We expect the US Federal Reserve to lower interest rates in the coming months, primarily to support the US economy. This would lead to falling short-term yields. At the same time, investors are demanding a risk premium to hold long-term government bonds. For two reasons: Rising government debt causes nervousness. The same goes for the ongoing discussion about the independence of the Fed. This sows doubts about the long-term stability of financial markets and causes yields at the long end to rise.

Trump is increasing pressure on his central bank chief almost daily, fueling speculation about his potential dismissal. How significant is it, in your view, that the world's most important central bank can continue to operate independently?

I share the view of many Wall Street CEOs: America needs an independent central bank! If you see it differently, please name a central bank that is not independent and still conducts good monetary policy.

Economists often cite Turkey as a cautionary example, where the central bank initially lowered interest rates under government pressure, triggering a wave of high inflation. Still, Donald Trump advocates for stronger coordination between fiscal

and monetary policy. He wants lower interest rates so that the US can finance its government debt more cheaply.

Of course, one can hold this view, but it is extremely dangerous because the US budget deficit is unusually high at six to seven percent of economic output. This increases the risk that investors will demand higher interest rates to protect themselves against inflation and fiscal instability – and that financing costs for the government will not decrease, but rather increase.



Aside from a few exceptions, the investor community does not seem overly concerned...

...and that may be the biggest risk! The stock markets are stable and hard to unsettle. This could prompt politics to test the boundaries and perhaps even cross them.

Do you expect there to be a "Liberation Day 2," meaning another phase where the markets crash significantly?

It is of course possible that volatility will rise in the short term until clarity about tariffs is achieved. But I do not expect a significant crash. The US markets are simply too popular among retail investors and wealthy individuals at the moment.

Does one become desensitized as an investor when there are so many news items from the White House every day that can influence the markets in one direction or another?

No, I wouldn't call it desensitization. But I think it's important not to immediately start a big debate over every news item. This means we do not assume that the central bank immediately loses its independence, even if concerns about it temporarily move the markets. Or that the dollar relinquishes its status as the world's reserve currency just because it weakens significantly against other currencies. Or that the US economy is at an end as soon as high tariffs are imposed.

A plea for more serenity?

As hedge fund managers, we must not let ourselves be guided by short-term and potentially misleading news. We need to tune out this background noise. It is also crucial in this context: we must not let our political beliefs guide us in investing, no matter how unorthodox the decisions from the White House may be.



That sounds easy. How hard is it in practice?

It's not hard. It's important that we succeed in this, and we do. Don't forget: pessimism in the markets has not paid off in the past. And if the first term of President Trump has taught us anything, it's that he is good at unleashing "Animal Spirits" – that is, risk appetite and willingness to innovate.

On days like in April, when stocks, bonds, and the dollar fell significantly – how do you manage to stay calm?

That was indeed a particularly lively time because important correlations stopped working. Typically, bond prices rise when stocks crash, as investors flee to bonds as safe

havens. We use such assumptions just like all other investors to build portfolios. And exactly those assumptions stopped working, at least for a short time.

What were the consequences?

Do we have deep dark circles under our eyes during such phases? Of course! But two things are incredibly important. First: Everything runs smoothly; all processes are clearly defined. We speak every morning with our risk committee, which monitors our risk diversification. The portfolio managers are in close contact with each other. Our firm is 31 years old, and there is plenty of experience and knowledge about how to navigate through such phases. One also needs a good amount of trust in our strategy, which has been working for three decades.

And second?

One must recognize the opportunities when market sentiment shifts rapidly. Those who adapt quickly and thoughtfully to the new environment can make up for losses within a relatively short time.

Mr. Foehrenbach, thank you for the interview.