Much ado about nothing?

The September Federal Reserve meeting came and went after much speculation and anticipation. The result: no change.

In their release and during Janet Yellen's press conference the Fed said a number of factors led to their decision.

To no one's surprise, those included a slowdown in the world's second-largest economy (China), a recession in Canada (our largest trading partner), the dollar's recent surge, fragile financial markets, a tepid economic outlook here and abroad, and tame inflation.

David Vomund
Market Pulse

A few numbers caught my eye. First, the Fed's long-term outlook for GDP growth was lowered to 1.8-2.2 percent (it had been 2.0-2.3).

While some talk of ways to boost growth to 4 percent or more, the Fed expects a rate half as fast. So we're forever to be mired in the slow-growth lane where we've been for nine years?

That isn't good for rising profits, employment growth and improving standards of living. It's not particularly good for stocks either.

The other numbers that caught my eye were those for the fed funds rate (the overnight rate at which banks lend to each other), which is now essentially zero.

The Fed expects fed funds at year-end 2016 to be 1.4 percent, 2.6 percent a year later and 3.4 percent in 2018. When Janet Yellen said earlier this year that increases, whenever they come, would be measured and gradual, she meant it.

Bottom line: money-market funds that pay nothing now will pay virtually nothing next year and perhaps all of 2 percent three years out. In my book, that's still nothing.

CDs, money-market funds, T-bills and savings accounts with paltry returns will offer little more than that for years.

Savers who rely on them will need to get used to it. This puts higher-yielding preferred stocks in the sweet spot. More on that next week.

Investors are always re-assessing risks and digesting the latest news, including from the Federal Reserve. Those who are worried about sharply rising rates for whatever reason, or a sinking economy with a surge in default rates, are wrong.

The forces of disinflation amid tepid growth will keep rates relatively low even after they rise. The Fed once again said it sees it that way, too.

David Vomund is an Incline Village-based fee-only Registered Investment Adviser. Information is found at www.VomundInvestments.com or by calling 775-832-8555. Past performance does not guarantee future results. Consult your financial adviser before purchasing any security.