The two major findings can be found from the FED model that helps to develop the returns for the next ten years. The high earning yield accounts for the attractive stocks while the low earning yield accounts for the unattractive stocks. Also, the FED model also tells us about the yield’s returns. Investing in the lower earning yield or E/P ratios would yield the lower returns while the higher E/P ratio or earning yield would yield higher returns relative to the risk free rate. Moreover, the return distribution is fairly attractive on higher earning yield and vice versa.

From the given data table of the FED model decile forecasts , the excess earning yield which is the difference of the E/P – Rf can easily be analyzed that further help to develop the forecast about the stocks in the future. According to the statistical analysis of the FED model, the earning yield when equal to the 3.5 % with the zero rate of interest is an indication of the attractive stock market while the same earning yield with the 3 % and 4 % rate of the interest indicates the unattractive stock market. This is because of the fact that excess earning yield contains the two important factors. The first important factor is E/P ratio, if it is lower, it means the price factor present in the denominator is quite high than the numerator factor (E).It means the stock’s price is high than the earning price. Moreover, when there is a difference taken with the RF factor ( in which R is the expected rate of the return), the value becomes further lower if the expected rate of return value quite high. R factor helps to develop the forecasting for the stocks in the future. Greater the value of the R, lower will be earning yield then the investment in the stocks would be riskier according to FED model.

According to FED model decile forecasts table, a higher difference in the standard deviation would lead to a more dispersion in the future outcomes and a lower standard deviation leads to the less dispersion because the values of the standard deviation depends upon the minimum and maximum value of the E/P – RF factor. If there is large difference in the values of the minimum and maximum values, the standard deviation would be higher. Further, evaluation the Fed model shows that the values of the maximum and minimum are related to the start and end values of the E/P – RF values. Greater the difference in the values of the start and end values , the lowest will be the average annualized terms that results in the higher standard deviation because of the marginal difference between the values of the minimum and maximum values.