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What does the Fed's small rise in interest rates mean to the US and the rest of the world, and what did ZIRP do anyway?

The Fed's lowering interest rates had a number of beneficial effects. It immediately favours borrowers by reducing their interest expenses. But it deters foreign investors so the exchange rate drops and this in turn benefits exporters. Of course, savers and importers get to suffer while exporters and borrowers benefit.

The GFC led to a massive bailout of the global banking sector with loans and grants amounting to over USD30 trillion in the following five years. It also led to a number of countries adopting a zero interest rate policy – or ZIRP. In Europe negative interest rates also abound and in places like Cypress and Italy some bank "bail-ins" occurred – permitted by governments in order to avoid banks going bust and triggering worse contagion within the USD 1,000 trillion (approx) derivatives casino.

Up to this point, this is what seven years of ZIRP have looked like for USA...

http://www.bloomberg.com/news/articles/2015-12-16/here-s-what-7-years-at-zero-rates-have-looked-like

Because the USA cannot go into negative interest rates without massive global implications, the US Fed has tried to establish some lee-way by increasing the Fed's own interest rates...

http://www.telegraph.co.uk/finance/economics/12054938/Moment-Janet-Yellen-announces-Federal-Reserve-interest-rates-rise.html

Now that the US Fed's interest rate is 0.5% will this mean any change in the markets? This seems unlikely. But the next time the Fed tries to signal further rises, that may prove the catalyst for a dramatic change to asset prices. Meantime the Fed also announced they planned to raise interest rates on a further four occasions during 2016...at about 0.25% each time.

I suspect it is possible we will see further QE strategies to change money supply. Also this will likely have no material impact on the current, looming junk bond meltdown....

http://www.bloomberg.com/news/articles/2015-12-16/tokyo-trader-to-work-at-4-a-m-ahead-of-fed-as-bond-tumult-rises

(and I found it interesting to view the article below that on Bloomberg).

The US Fed has no idea what to do about deflation, but frankly, I think they are in cloud cuckoo land because what will change that game is the possible shortage of oil supplies in 2016 as depletion trumps new capacity...which it ultimately must... even if that appears a long way off at this point. So if and when that happens the price of oil WILL rise and float all other prices higher...

http://www.bloomberg.com/news/articles/2015-12-16/china-has-something-to-tell-opec-oil-prices-have-fallen-too-far

Euan Mearns has a more depressing view of where the oil markets could go in 2016...

http://seekingalpha.com/article/3758386-oil-price-scenarios-for-2016?source=email_macro_view_com_2_17&ifp=0

But at this point I am just guessing what happens next - just like everyone else!