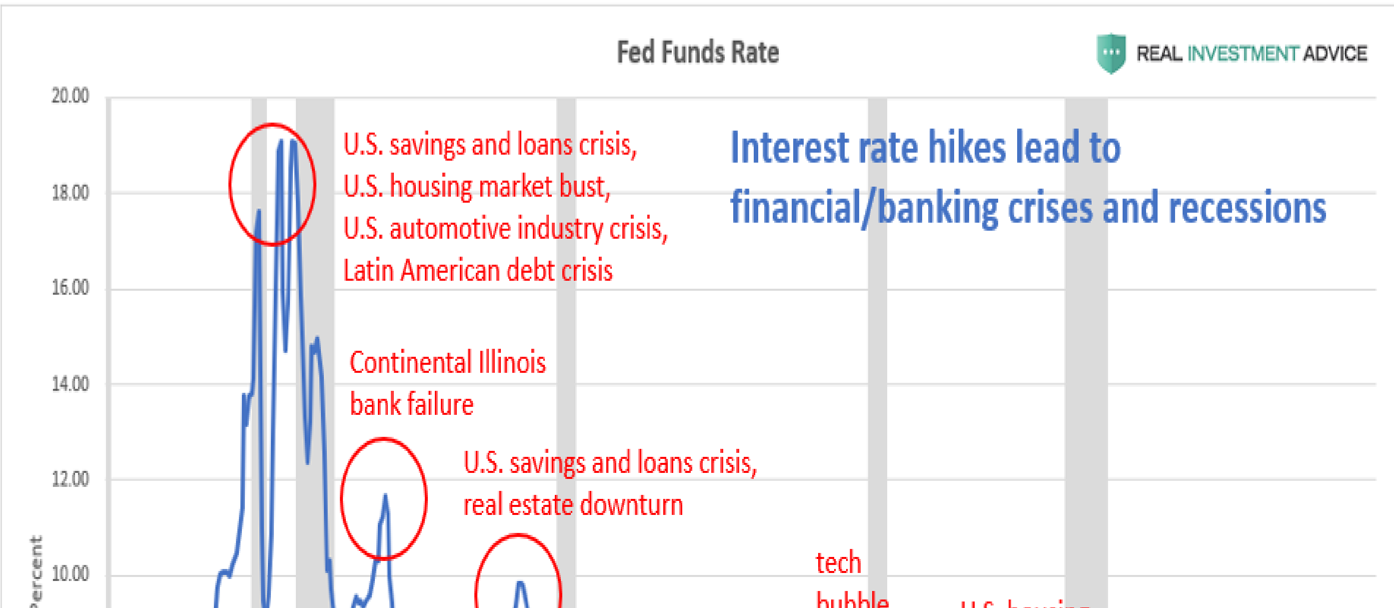
As seen on Forbes by RIA's Jesse Colombo: "[How Interest Rate Hikes Will Trigger The Next Financial Crisis]":



On Wednesday, the U.S. Federal Reserve hiked its benchmark interest rate•by a quarter-percentage point to 2% - 2.25%, which is the highest level since April 2008.•As rates continue to climb off their post-Great Recession record lows, market participants•and commentators are•showing almost no signs of fear as the stock market is hitting records again and•complacency abounds. Unfortunately, "soft landings" after rate hike cycles are as rare as unicorns and virtually all modern rate hike cycles have resulted in a recession,•financial, or banking crisis. There is no reason to believe that this time will be any different. As I've explained in the past, periods of low interest rates•help•to create credit and asset booms•in the following ways:

- By encouraging more borrowing by consumers, businesses, and governments
- By discouraging the holding of cash versus spending and speculating in riskier assets & endeavors
- Investors can borrow cheaply to speculate in assets (ex: cheap mortgages for property speculation and low margin costs for trading stocks)
- By•making it cheaper to borrow to conduct share buybacks, dividend increases, and mergers &•acquisitions
- By encouraging higher rates of inflation, which helps to support assets like stocks and real estate

When central banks set interest rates and hold them at low levels in order to create an economic boom after a recession (as our Federal Reserve does), they interfere with•the organic functioning of the economy and financial markets, which has serious consequences including the creation of distortions and imbalances. By holding interest rates at artificially low levels, the Fed creates "false signals" that encourage the•undertaking of businesses and•other•endeavors that would not be profitable or viable in a normal interest rate environment.

Read the full article on Forbes.