

Reasons Why the U.S. Economy's Bubble of False Prosperity May Be about to Burst

August 19, 2014 | [Michael Snyder](#)

Did you know that a major event just happened in the financial markets that we have not seen since the financial crisis of 2008? If you rely on the mainstream media for your news, you probably didn't even hear about it. Just prior to the last stock market crash, a massive amount of money was pulled out of junk bonds.

Now it is happening again. In fact, as you will read about below, the market for high yield bonds just experienced "a 6-sigma event". But this is not the only indication that the U.S. economy could be on the verge of very hard times. Retail sales are extremely disappointing, mortgage applications are at a 14 year low and growing geopolitical storms around the world have investors spooked.

For a long time now, we have been enjoying a period of relative economic stability even though our underlying economic fundamentals continue to get even worse. Unfortunately, there are now a bunch of signs that this period of relative stability is about to end. The following are 14 reasons why the U.S. economy's bubble of false prosperity may be about to burst...

#1 The U.S. junk bond market just experienced "a 6-sigma event" earlier this month. In other words, it is an event that is only supposed to have a chance of 1 in 500 million of happening. Billions of dollars are being pulled out of junk bonds right now, and that has some analysts wondering if a financial crash is right around the corner.

#2 The last time that we saw a junk bond rout of this magnitude was back during the financial crash of 2008. In fact, as the Telegraph recently explained, bonds usually crash before stocks do...

The credit market usually leads the equity market during turning points, as happened when credit markets cracked first in 2008.

Will the same thing happen this time around?

#3 Retail sales have missed expectations for three months in a row and we just had the worst reading since January.

#4 Things have gotten so bad that even Wal-Mart is really struggling. Same-store sales at Wal-Mart have declined for five quarters in a row and the outlook for the future is not particularly promising.

#5 The four week moving average for mortgage applications just hit a 14 year low. It is now even lower than it was during the worst moments of the financial crisis of 2008.

#6 The tech industry is supposed to be booming, but mass layoffs in the tech industry are actually 68 percent ahead of last year's pace.

#7 According to the Federal Reserve, 40 percent of all households in the United States are currently showing signs of financial stress.

#8 The U.S. homeownership rate has fallen to the lowest level since 1995.

#9 According to one survey, 76 percent of Americans ...

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