Last December, almost 12 months ago, we set our year-end 2019 target for the S&P 500 at 3,100. Many thought we were too bullish, but our model for the stock market suggested 3,100 was well within reach. We believed the bull market had plenty of room to run.

Now, with six weeks to go until year-end, the stock market has already closed above our initial target. As of Friday, the S&P is up 24.5% year-to-date, and up 32.7% since its Christmas Eve low. And that’s without including dividends.

We were so confident there wouldn’t be a recession - and that the market was still cheap - that we raised our target to 3,250 in the middle of 2019. That’s only 4.2% above last Friday’s close.

With one possible (and very unlikely) exception, nothing we see on the horizon suggests the bull market is nearing an end. We’re forecasting moderate economic growth for the foreseeable future, and see continued corporate profit growth as margins stay high.

Monetary policy is not tight, far from it, and we don’t see any hikes to short-term interest rates through at least 2020. And after many years of 6% M2 money supply growth, M2 has accelerated, growing at a 9.2% annualized pace in the past six months.

Corporate America is still adapting to a much more favorable tax environment. And trade policy is more likely to get better going forward, rather than worse.

The “new NAFTA” looks likely to pass by early next year, in part because as the Democrats target President Trump with impeachment, it becomes more important for them to reach some bipartisan goals. House Speaker Nancy Pelosi recently described a political deal on the trade pact as “imminent.” Mexico and Canada are the US’s #1 and #2 trading partners. A deal with #4, Japan, is being worked out and is already benefiting the US. Meanwhile, news reports suggest a deal with China (#3) is approaching.

Want more reasons for optimism? The ball and chain of regulation continues to ease around the ankles of entrepreneurs. And a surge in the appointment of federal judges who believe in legislation, not administrative regulation, will make it tougher for the administrative state to hamstring innovation.

In addition, consumers have plenty of purchasing power, both from wage growth and relatively low financial obligations. Home builders still need to raise the pace of construction just to keep up with population growth and the scrappage of homes (including voluntary knock-downs, fires, floods, tornadoes, and hurricanes).

Notice, too, that the US isn’t alone in the stock market rally. The Euro Stoxx 50 is up 19.4% in dollar terms so far this year (as of the Friday close) while Japan’s Nikkei is up 18.2%.

We think those gains, at least in part, reflect investors looking ahead and expecting better policies. By cutting tax rates and regulation, the US has become more competitive. Eventually, the political pressure on other countries is to follow suit. When Reagan and Thatcher cut tax rates in the 1980s, many other countries took the cue, which led to a global boom.

One thing that could throw a monkey wrench into the bull market would be a shift by voters toward less growth-oriented policies of more government spending, expanded entitlements, and higher tax rates. This would take a sweep of the White House, House, and Senate with politicians willing to pass the votes. We put the odds of that happening at roughly 5%. We know investors are worried about this, but it’s way too early - and way too unlikely - to change investment strategies at this point. Think about it: if a sweep like this would cut the stock market by 25%, but has only a 5% chance of occurring, that’s a drag of only 1.25% on the market (5% of 25%).

A year ago, we were in the distinct minority in remaining bullish while so many were predicting the supposed “sugar high” was over and a bear market had begun. We didn’t see it that way then, we still don’t now.

Stocks are still cheap, the economy is not slipping into recession. The policy environment is tilted more toward growth than it was three years ago, even though it could be better. And that means the bull market should continue.

### Date/Time (CST)  U.S. Economic Data  Consensus  First Trust  Actual  Previous
| 11-19 / 7:30 am | Housing Starts – Oct | 1.320 Mil | 1.320 Mil | 1.256 Mil |
| 11-21 / 7:30 am | Initial Claims – Nov 16 | 218K | 217K | 225K |
| 7:30 am | Philly Fed Survey – Nov | 6.0 | 8.7 | 5.6 |
| 9:00 am | Existing Home Sales – Oct | 5.490 Mil | 5.500 Mil | 5.380 Mil |
| 11-22 / 9:00 am | U. Mich Consumer Sentiment- Nov | 95.7 | 95.7 | 95.7 |

Consensus forecasts come from Bloomberg. This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.