Ever since the stock market bottomed in 2009 during the financial crisis, people have been coming up with reasons why the bull market was about to end. We heard every reason – Brexit, the end of Quantitative Easing, too much debt, COVID, etc. – and while we understood each may be a cause for consternation, we focused on valuations, which suggested the bull market would continue. Over time, math wins.

After the recovery in stocks from the 2020 lockdowns (and especially the latest surge in equity values) some analysts have been saying the US stock market is in a bubble, maybe even like the one it reached in March 2000. Some buttress this claim with the so-called “Warren Buffett Model,” which says the market could be overvalued when total stock market capitalization exceeds GDP, like it does now.

Meanwhile, others are convinced that the social media fueled jump in some very small stocks (like Gamestop) and commodities (like silver) signal a building bubble.

But a bubble this is not. At least not yet. The Buffett Indicator is not reliable, the Reddit-fueled burst in some stock prices is very narrow, and signals more of a change in the investing market than any serious sign of fundamental issues.

The bull market still has further to run, and we stand by our year-end projection for the S&P 500 of 4200.

The Federal Reserve has the US economy awash in liquidity, with the M2 measure of the money supply up 25% from a year ago. Another very large fiscal “stimulus” package is wending its way through Congress, and is likely to hit the President’s desk relatively soon.

Meanwhile, the vaccine for COVID-19 continues to rollout, while cases, hospitalizations, and deaths are all falling so rapidly that teachers unions in many states are being forced to move the goalposts and come up with new reasons why they can’t go back to teaching in-person classes.

All of this is reason to believe 2021 is a hard year to be out of the equity market. Yes, tax rates are likely to rise, but not in 2021. Have you noticed how few politicians are even mentioning this anymore? With businesses shut down and unemployment high, tax hikes will likely be put off until 2022.

So, in short, we are still bullish. Profits are headed up and have much further to go, while interest rates would have to move substantially higher to make our cap profits model turn bearish. Yes, the 10-year Treasury yield hit 1.25% last night, but it would have to go to at least 2.0% or higher before it’d be a headwind for equities.

Eventually the bull market will come to an end. Maybe it’ll be the much faster money growth translating into persistently high inflation and interest rates, perhaps tax hikes will go farther and be more damaging than we think. Perhaps, some exogenous factor like a mutant strain of COVID forces another shutdown. Perhaps, perhaps, perhaps.

But the market is still undervalued, the Fed is easy, stimulus will boost the economy by borrowing from the future, and COVID data are very positive. We would never say that anything is certain, or that a correction won’t happen, but the stock market is nowhere near bubble territory.