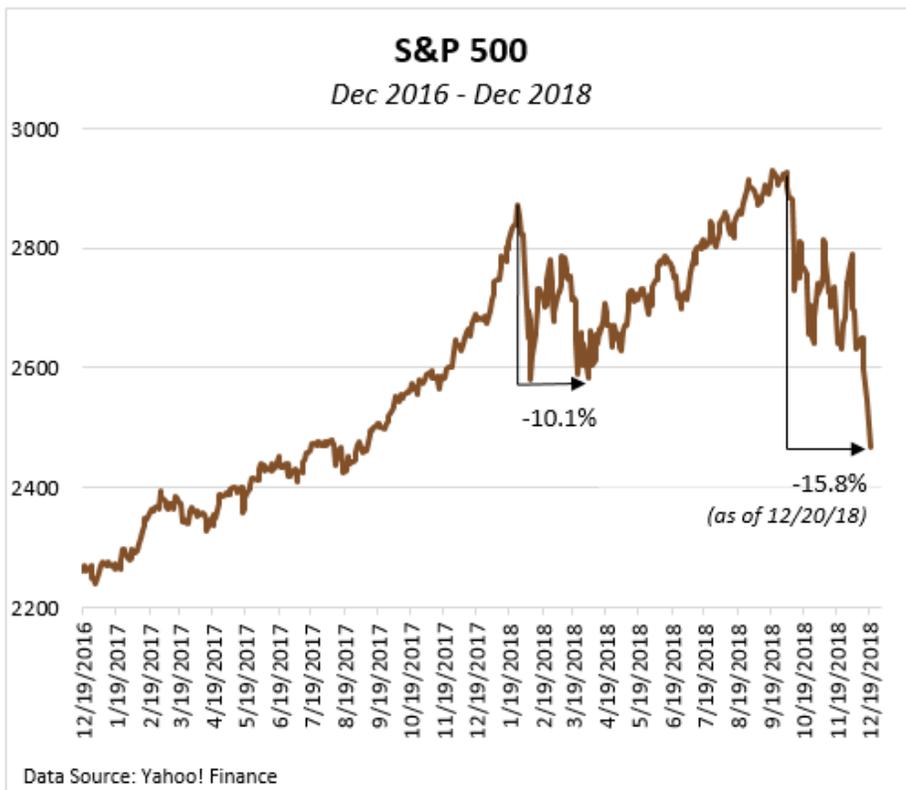


MARKET insight

ALLIED INVESTMENT ADVISORS / SPECIAL UPDATE

MARKET UPDATE: DECEMBER 2018

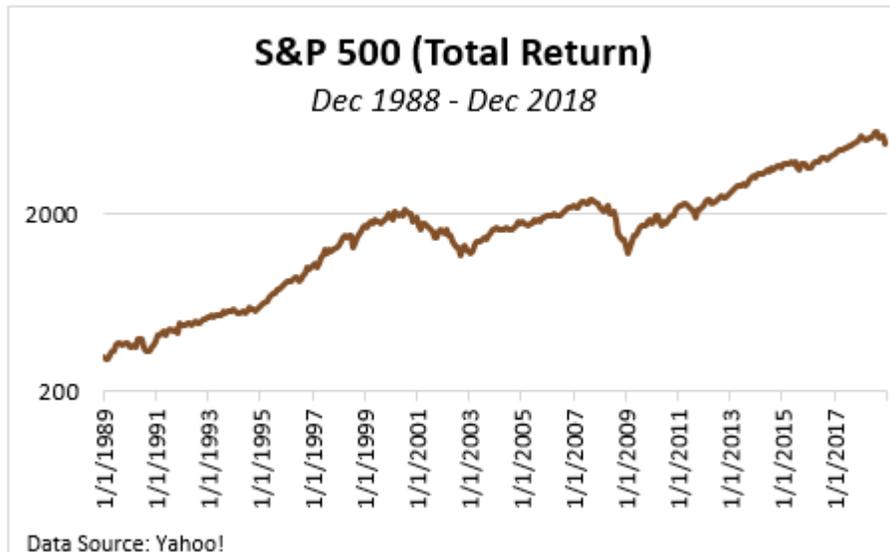
The S&P 500 has fallen –15.8% since peaking in late September. This is the second correction of the year, after seeing a –10.1% pullback from January to April.



However, with the market's strength over the summer months, the full year drawdown is a more manageable –7.7%.

Despite a US economy that looks healthy, and the lowest unemployment rate (3.7%) since 1969, there is heightened volatility in the market.

As we noted in our most recent Market Insight newsletter (download a copy [here](#)), market corrections are never fun. Whether this turns into a more significant bear market, or proves to be a temporary pullback, a few things to keep in mind:



- **Remember to keep perspective.** Short-term volatility can be overwhelming, but it helps to step back and look at the chart above, which shows the S&P 500’s steady growth since 1988. With the market at a moderately attractive valuation of 14.4 times next years earnings, we think long-term prospects are good (but make no prediction of what happens in the short-term).
- For many of you, your investment allocation provides some defensiveness. An allocation to bonds provides a cushion during market pullbacks, and rising rates are providing the best income levels in over 10 years.
- We have focused our stock selections on high quality companies. Most of our holdings are ranked in the top two safety categories by the Value Line Investment Survey. Since 1972, the safest companies have held up much better than their riskier counterparts in market pullbacks.

The most important reminder is not to panic. The financial news, politics, and even your neighbors are prodding you to make a rash decision. Instead, focus on your long-term goals and the investment plan you’ve put in place.

If you have any question about the market, your account, or our outlook, we would be happy to visit with you regarding your specific situation. We can be reached at (406) 839-2037. We wish all of you a Merry Christmas and Happy New Year.

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