

Government Shutdown and Market Myths

What the Data Shows

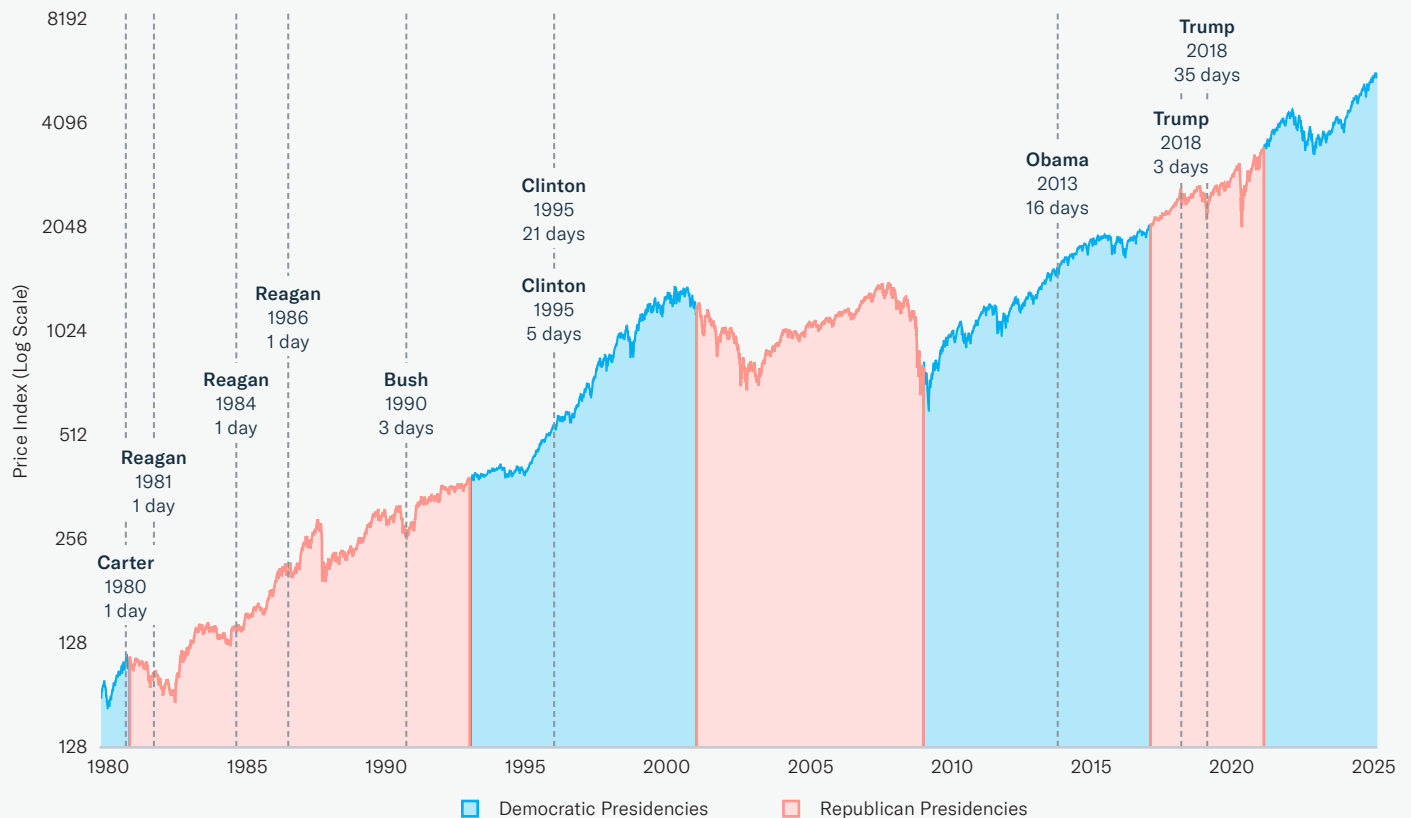
OCTOBER 2025

Federal funding debates have returned to Washington's center stage as lawmakers work to prevent a government shutdown. This development comes during a period marked by policy discussions spanning trade agreements, fiscal matters, immigration reform, and other significant topics that influence economic conditions and market sentiment.

Many investors naturally question how political developments might influence their investment portfolios. However, examining historical data reveals that markets tend to look beyond political gridlock. This pattern holds even for those monitoring fiscal challenges such as deficit levels and national debt growth.

1. Government shutdowns have not historically affected markets or the economy

GOVERNMENT SHUTDOWNS AND THE STOCK MARKET
S&P 500 price index on a log scale with major government shutdowns annotated



Past Performance is no guarantee of future results. 1980-12/31/24. Cleareconomics, Congressional Budget Office

The federal budget process requires annual appropriations by October 1, when each fiscal year begins. While broad policy frameworks may be established through legislation, specific funding allocations to departments and agencies require separate budget approval. Missing this deadline can result in service lapses and employee furloughs.

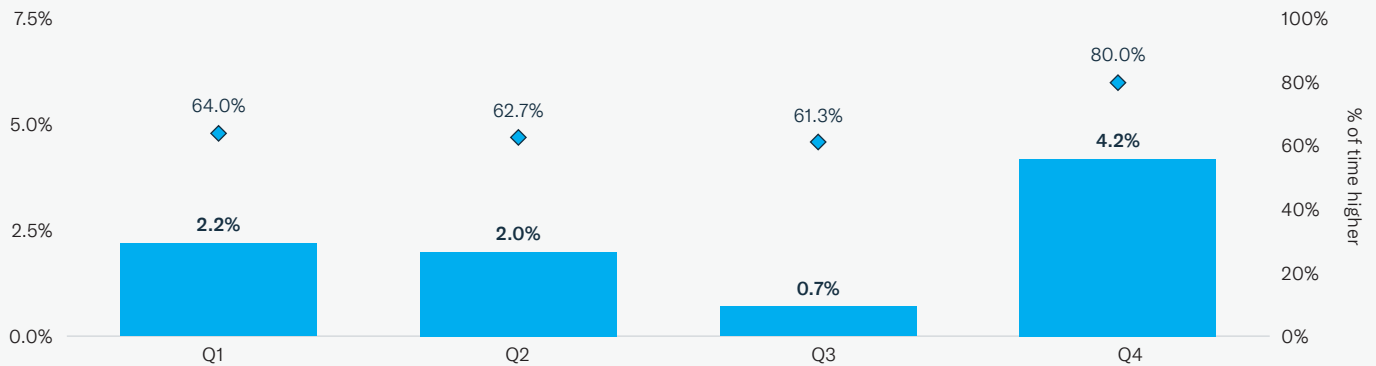
Meeting budget deadlines has proven to be challenging for Congress over the past five decades, with on-time passage occurring only occasionally. Continuing resolutions have become a common tool, providing temporary funding while negotiations continue. The current proposal involves a seven-week stopgap measure to maintain operations during ongoing discussions.

Since 1980, multiple administrations have experienced shutdowns with varying durations, including notable episodes during the Reagan, Clinton, Obama, and Trump presidencies. The longest shutdown lasted 35 days from late 2018 into early 2019. Despite these disruptions, financial markets have demonstrated resilience, treating shutdowns as temporary rather than fundamental economic threats.

2. October's Reputation for Volatility and Historical Fourth Quarter Strength

October has long carried a reputation for turbulence in the stock market, often referred to as the “October Effect.” With volatility 33% above average compared to the other months, October is indeed more volatile than average, however, the data shows that October's long-term returns have been historically positive.¹ October's notoriety comes less from poor overall returns and more from its heightened volatility and history of dramatic market moves, which makes it feel riskier even though it has often ended in gains.

S&P 500 INDEX AVERAGE QUARTERLY RETURNS



Past Performance is no guarantee of future results. 1950-2024. Carson Investment Research, Y Charts

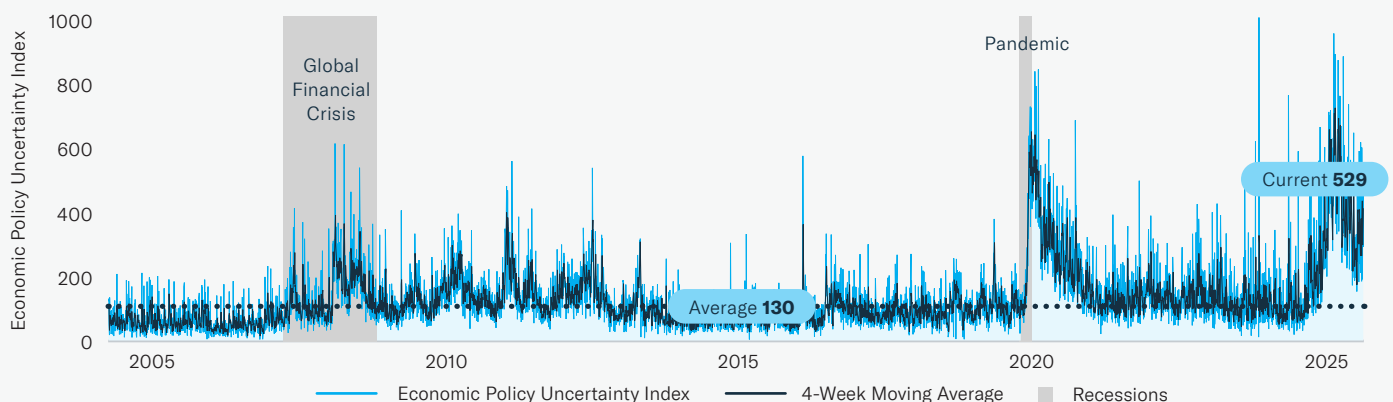
Despite October's reputation as the most volatile month, history shows that the fourth quarter has often delivered the strongest returns of the year. This makes covered call² option income strategies especially intriguing: they provide the opportunity for investors to hedge and capture income from October's volatility while still maintaining market exposure to participate in the powerful gains that have historically followed through year-end.

Additionally, more Federal Reserve (Fed) rate cuts are expected in the fourth quarter, with one anticipated in October and at least one additional move likely before year-end, as the Fed responds to a cooling labor market. Once again, in a rate-cut environment, covered call income strategies may help generate yield and hedge volatility at a time when traditional fixed income- returns are declining.

3. Policy Uncertainty has Eased

ECONOMIC POLICY UNCERTAINTY

Uncertainty based on news, taxes, and forecaster disagreement; Index of 100 represents the average from 1985 to 2009



Past Performance is no guarantee of future results. 2005-9/29/25. Cleareconomics, Baker, Bloom, and Davis, Federal Reserve

The Economic Policy Uncertainty chart highlights how tariffs and tax debates earlier this year posed notable challenges for investors. With greater clarity now established on both fronts, uncertainty levels have eased back toward their long-term average. Although a government shutdown could introduce fresh uncertainty, history suggests that even prolonged disruptions have had little lasting impact on markets.

The bottom line?

Government shutdowns may disrupt federal operations, but history shows they have had little lasting impact on markets or the economy as investors look past short-term political disruptions. While October is often the most volatile month, the fourth quarter has historically delivered the strongest returns, making strategies that harness volatility for income while maintaining market exposure especially valuable.

All indexes are unmanaged and it's not possible to invest directly in an index. S&P 500 Total Return Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. The Economic Policy Uncertainty (EPU) Index is a measure that tracks the level of uncertainty in the economy arising from government policies.

¹Amplify Data, 10/2/25.

²A covered call refers to a financial transaction in which the investor selling call options owns an equivalent amount of the underlying security

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discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

Covered call risk is the risk that the Fund will forgo, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline.

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