

Market Update:
Markets Reach New
All-Time Highs Amid
Ongoing Uncertainty

MAY 2026

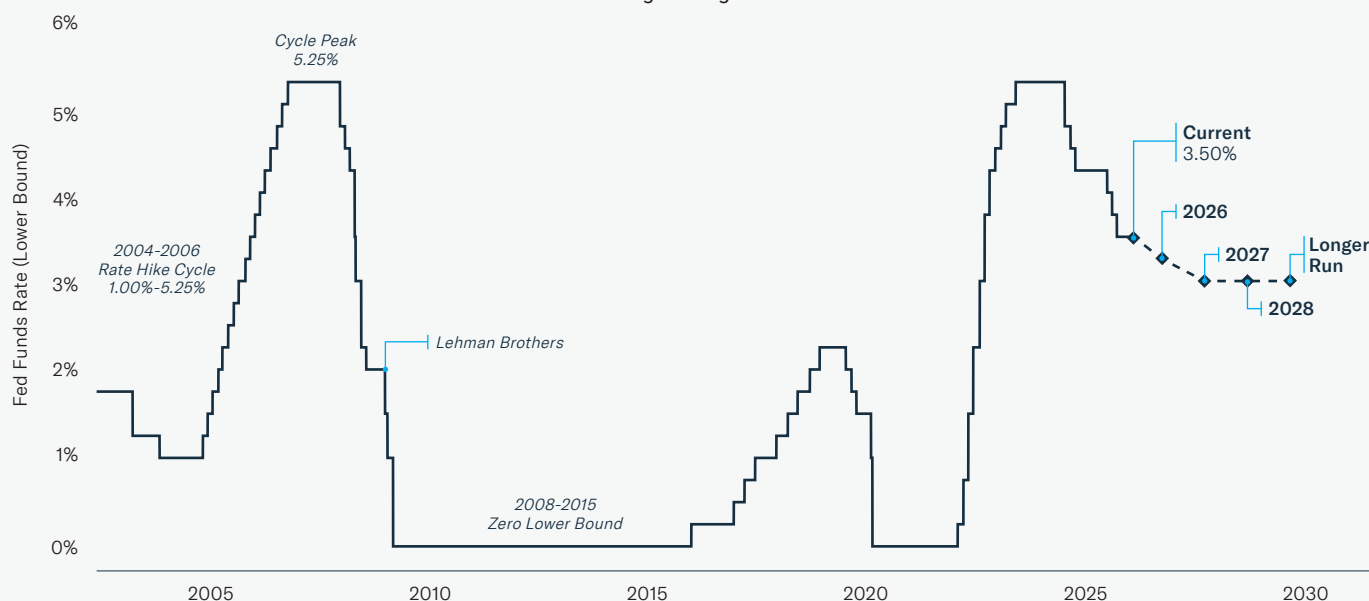
April's strong market performance may appear surprising against a backdrop of geopolitical tensions and policy uncertainty. History, however, shows that some of the most powerful market rallies have occurred precisely when investor sentiment was at its most cautious — a pattern observed after the pandemic shock of 2020, the inflation-driven bear market of 2022, and the tariff-driven pullback of early 2025. While these rebounds are never guaranteed, they often materialize when least expected.

Combined with negative returns in the first quarter, the S&P 500 is now up 5.3% year-to-date. The accompanying chart illustrates the distribution of annual S&P 500 returns going back to 1928. Historically, the market has been positive in roughly two-thirds of all years, and since 1980, that figure rises to approximately three-quarters. While negative years are not unusual, gains have predominated over longer time horizons — underscoring the difficulty of timing the market and the importance of staying invested.

2. The Federal Reserve's final session under Jerome Powell

FEDERAL FUNDS RATE

Target range lower limit



Past Performance is no guarantee of future results. Sources: Cleonomics, Federal Reserve. © 2026 Cleonomics. 1/1/2002 - 4/30/2026

The Federal Reserve kept its key policy rate unchanged at its April meeting, holding it within a range of 3.50% to 3.75%. Although the decision itself was widely expected, notable internal disagreement emerged — four of the twelve voting members dissented, the most since 1992. Three officials supported the rate decision but objected to language in the statement hinting at future rate cuts, while one governor pushed for an immediate reduction.

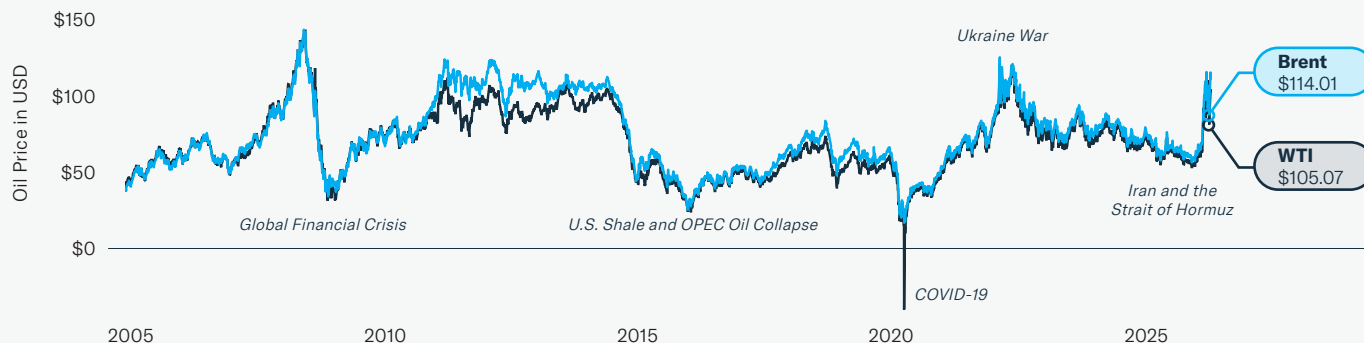
This divide reflects two competing economic challenges. A softening labor market, with job openings falling below the number of unemployed workers for the first time in years, would ordinarily argue for rate cuts. However, elevated oil prices stemming from the ongoing conflict near the Strait of Hormuz have kept inflation pressures alive, which would call for a more restrictive stance. As a result, market expectations now reflect roughly even odds between a rate cut and a rate hike later this year.

April also marked Jerome Powell's final press conference as Fed Chair, concluding his tenure that began in 2018 when he succeeded Janet Yellen. He has served on the Board of Governors since 2012. Kevin Warsh has been nominated as the next Fed Chair and has received approval from the Senate Banking Committee. While a leadership transition adds some uncertainty, markets and the broader economy have historically performed well across a wide range of Fed chairs and monetary policy environments.

With the path of interest rates less predictable, many investors are revisiting how income is generated within portfolios. Solutions that diversify income sources beyond traditional core fixed income — while remaining mindful of credit and interest-rate risk — can help address evolving market conditions.

3. Oil prices and the ongoing disruption at the Strait of Hormuz

GLOBAL OIL PRICES
WTI and Brent Crude



Past Performance is no guarantee of future results. Sources: Clearnomics, LSEG. © 2026 Clearnomics. 1/1/2005 - 4/30/2026

Oil prices remain one of the most direct ways in which the conflict in Iran affects investors and consumers. Brent crude and WTI prices moved back toward recent highs in April as the Strait of Hormuz stayed effectively closed to oil shipping. Several false starts in ceasefire and peace negotiations contributed to market volatility throughout the month.

Despite elevated energy costs, equity markets have held up well. The key concern going forward is whether high oil prices will begin to feed through to broader parts of the economy via higher transportation and input costs that businesses pass on to consumers. Historical experience offers some reassurance — the 2022 spike in U.S. gasoline prices above \$5 per gallon proved temporary as supply conditions improved. It is also worth noting that the U.S. remains the world’s largest producer of oil and natural gas, providing a degree of insulation from global supply disruptions.

This environment underscores the value of diversification across market segments. While technology driven sectors performed strongly in April, energy has been a positive contributor over the year. Exposure to areas tied to real economic inputs, including energy and commodities, has historically behaved differently than broader equity markets, highlighting the benefits of diversified positioning during periods of uncertainty.

The bottom line?

The market rebound in April demonstrates that positive swings can occur even during challenging times. A well-constructed portfolio — one that blends growth potential, income generation, and differentiated sources of return — can help investors navigate challenging periods, supporting disciplined, long-term positioning through volatility and recovery.

Indexes are unmanaged and it's not possible to invest directly in an index. The S&P 500 Total Return Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. CBOE Volatility Index (VIX) is a measure of implied volatility, based on the prices of a basket of S&P 500 Index options with 30 days to expiration. The MSCI EAFE Index is designed to measure the equity market performance of developed markets outside the U.S. and Canada. MSCI Emerging Markets (EM) Index is designed to measure large- and mid-cap representation across emerging market countries. The Russell 2000 Index measures the performance of small-cap segment of the US equity universe. The S&P MidCap 400 Index is designed to measure the performance of 400 mid-sized companies. Bloomberg U.S. Aggregate Bond Index is designed to measure the performance of the U.S. investment grade bond market. U.S. Dollar Index is a measure of the value of the U.S. dollar relative to a basket of foreign currencies. 10-year

Treasury is represented by the Bloomberg US Treasury Bellwethers 10 Year Index that measures the on-the-run (most recently auctioned) U.S. Treasury bond with 10 years' maturity.

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MEU-COM-0526