

Quantity  
of Bonds

So



# Bond Price



The effect of a **sale** of bonds by the Fed on  
the Bond Market

Feeds **se**lls Bonds



Increases the amount of  
bonds available for sale in  
the Open Market





The Supply of bonds  
increase



A rightward shift in the  
Supply of bonds

Assume the Bond Market  
starts at equilibrium



$P_e$  ————— ●

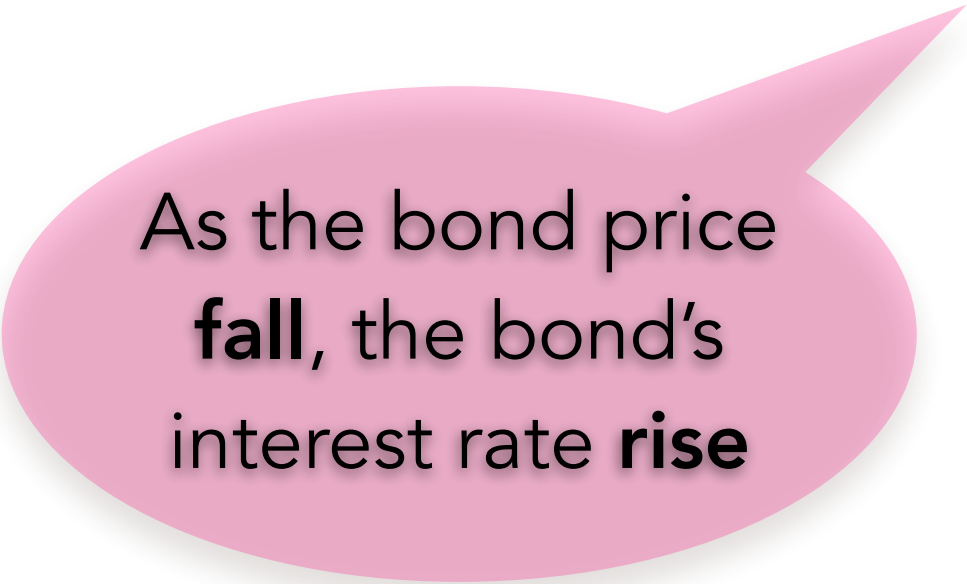
$Q_0^b$

$S_1$

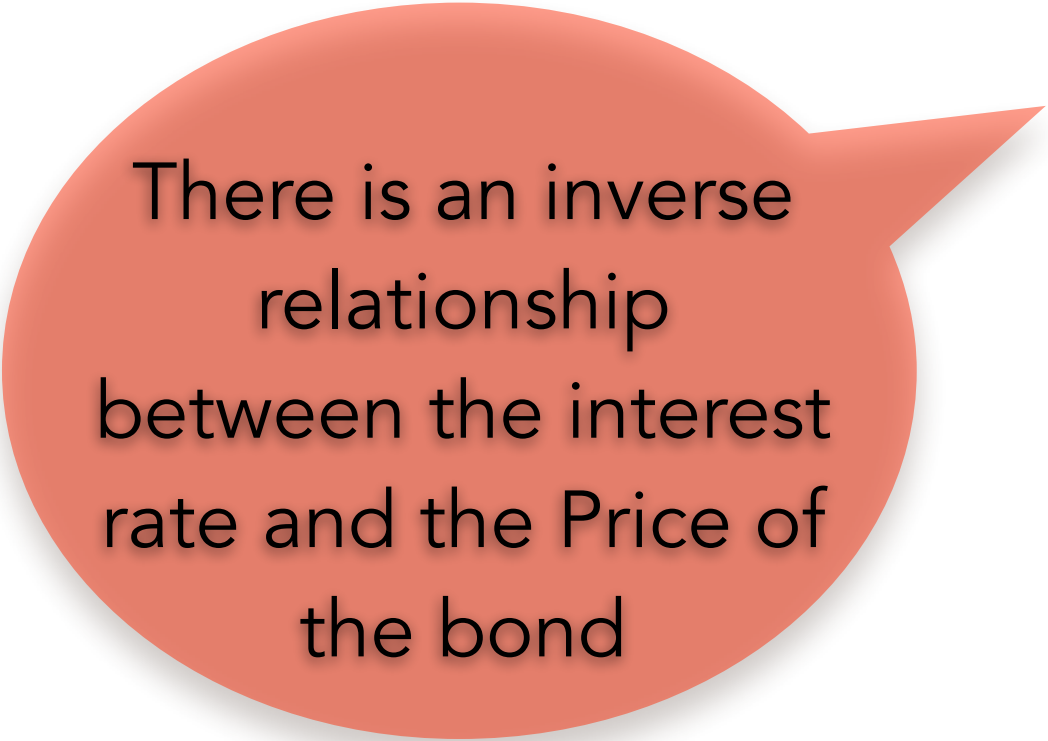


The bond price fall to a  
new equilibrium



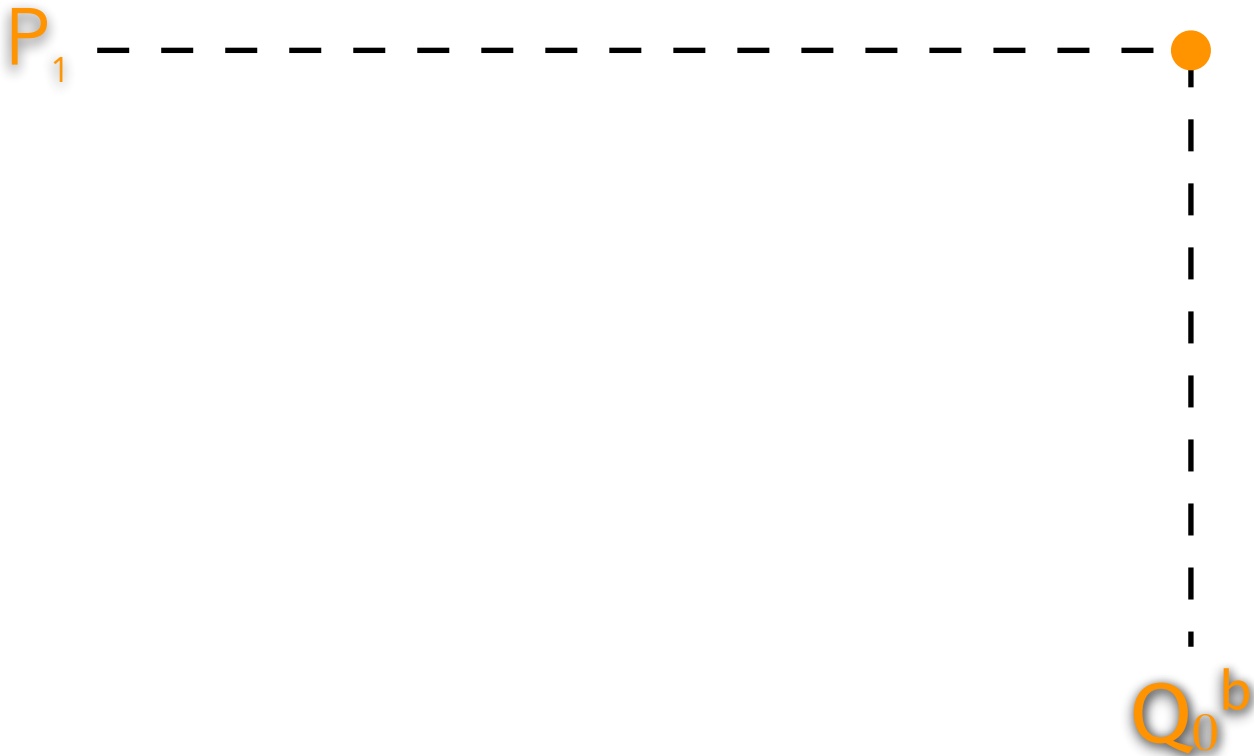
A pink speech bubble with a tail pointing towards the top right corner of the image. The bubble contains text about bond prices and interest rates.

As the bond price  
**fall**, the bond's  
interest rate **rise**



There is an inverse  
relationship  
between the interest  
rate and the Price of  
the bond



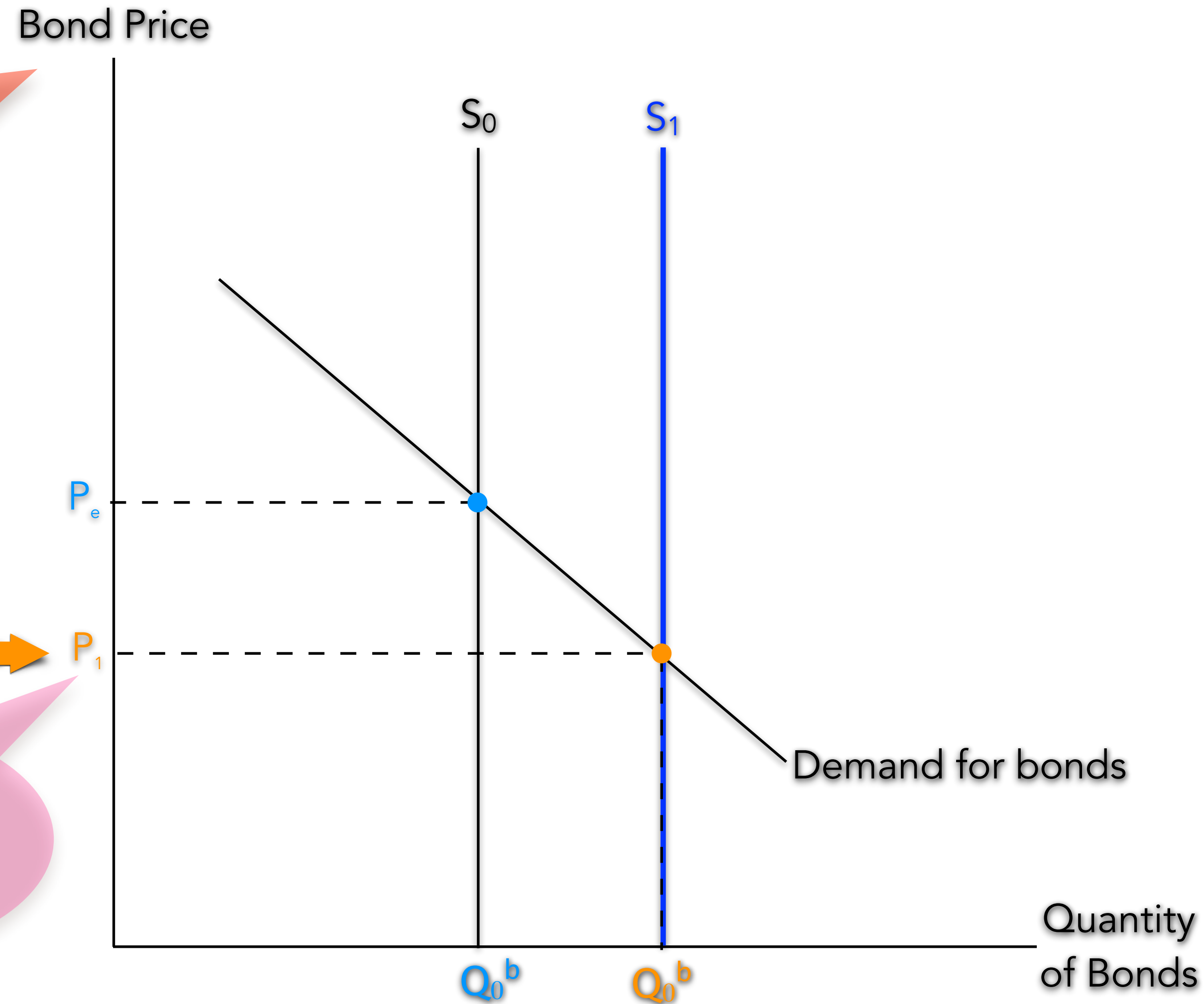


# The effect of a **sale** of bonds by the Fed on the Bond Market

There is an inverse relationship between the interest rate and the Price of the bond

The bond price **fall** to a new equilibrium

As the bond price **fall**, the bond's interest rate **rise**



Fed **sells** Bonds



Increases the amount of bonds available for sale in the Open Market



The Supply of bonds increase