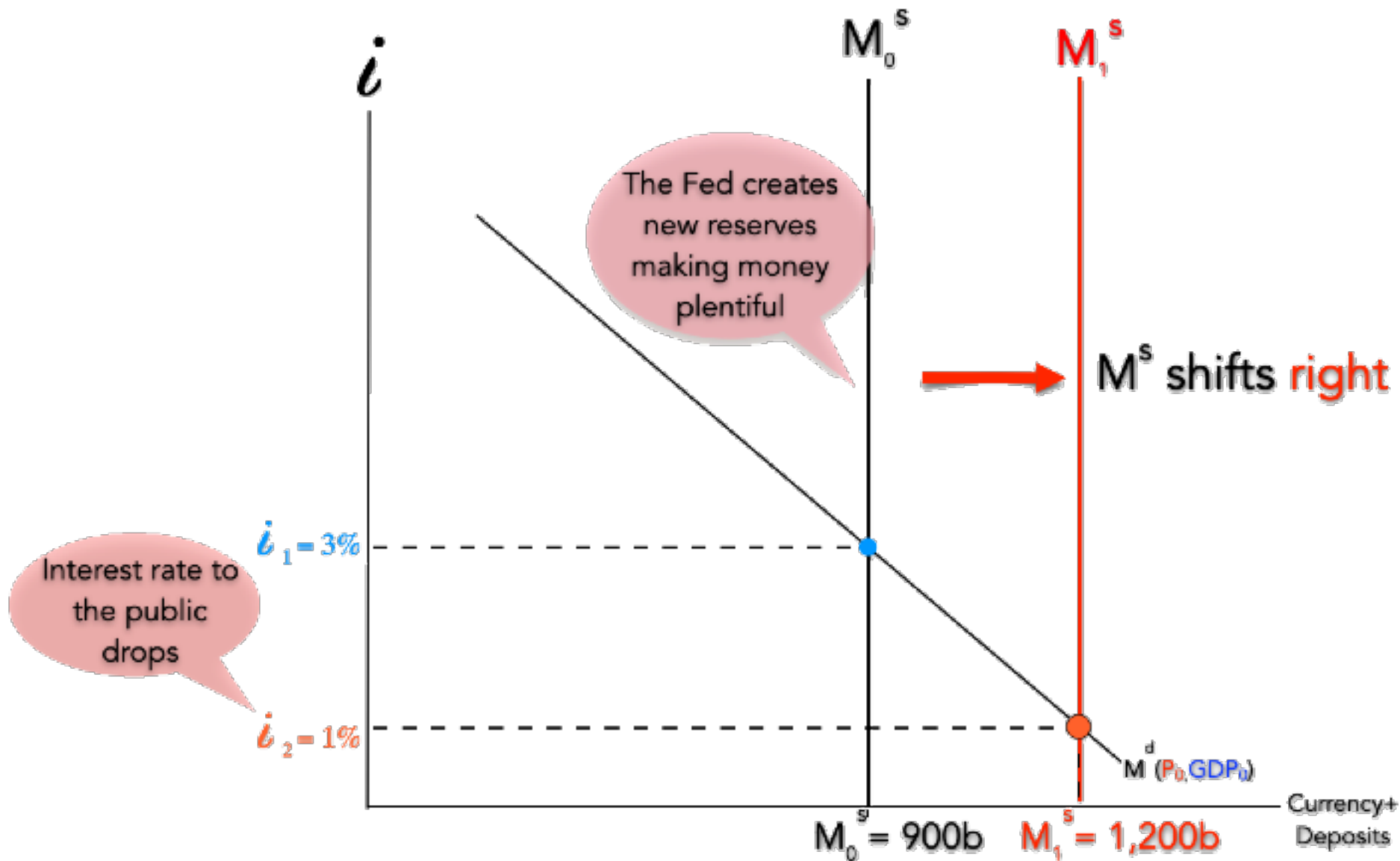


The Money Market



The Federal Funds Market

Federal Funds Rate

ffr

S_0

S_1

A rightward shift in the Supply of funds

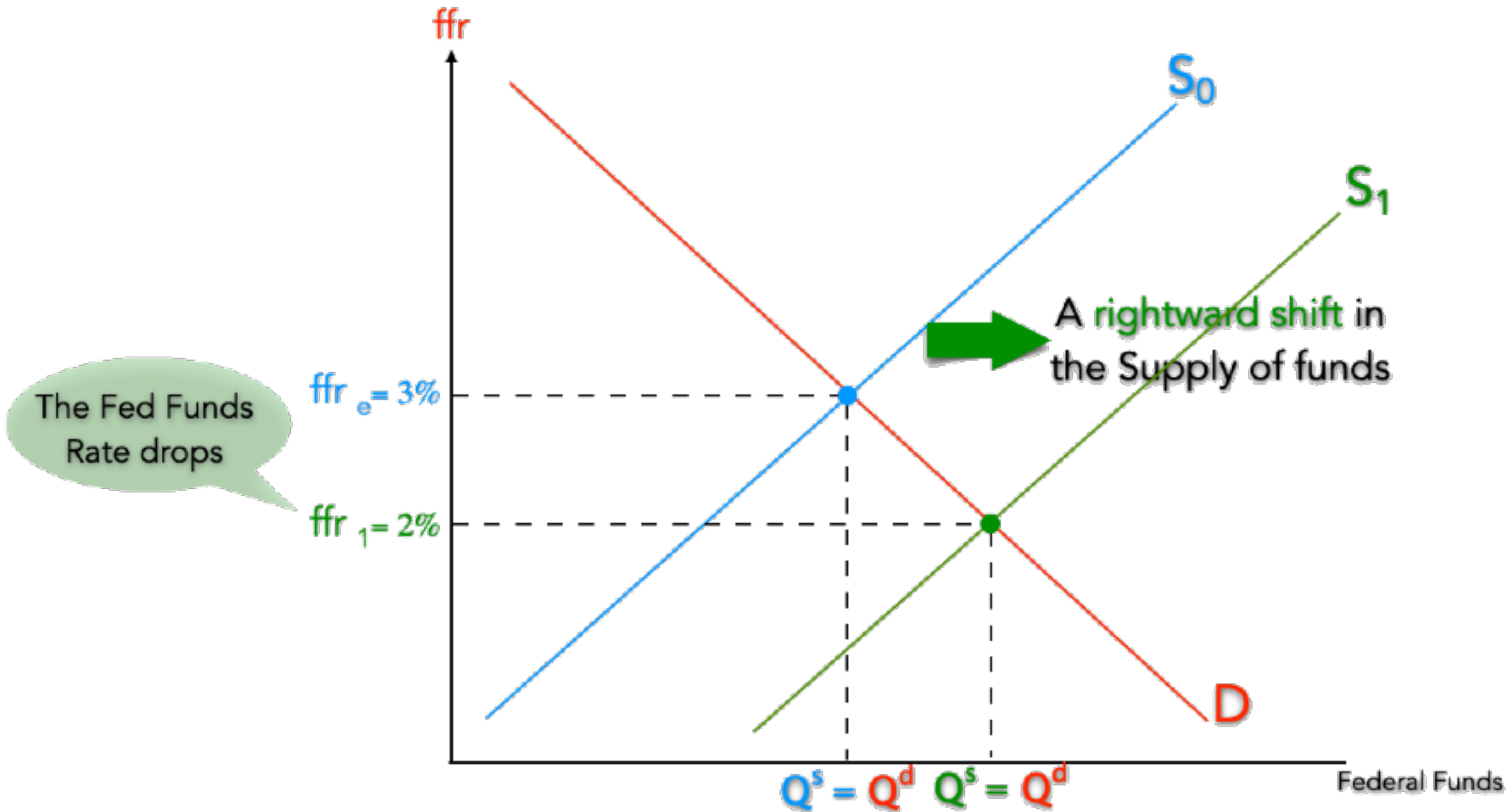
$ffr_e = 3\%$

$ffr_1 = 2\%$

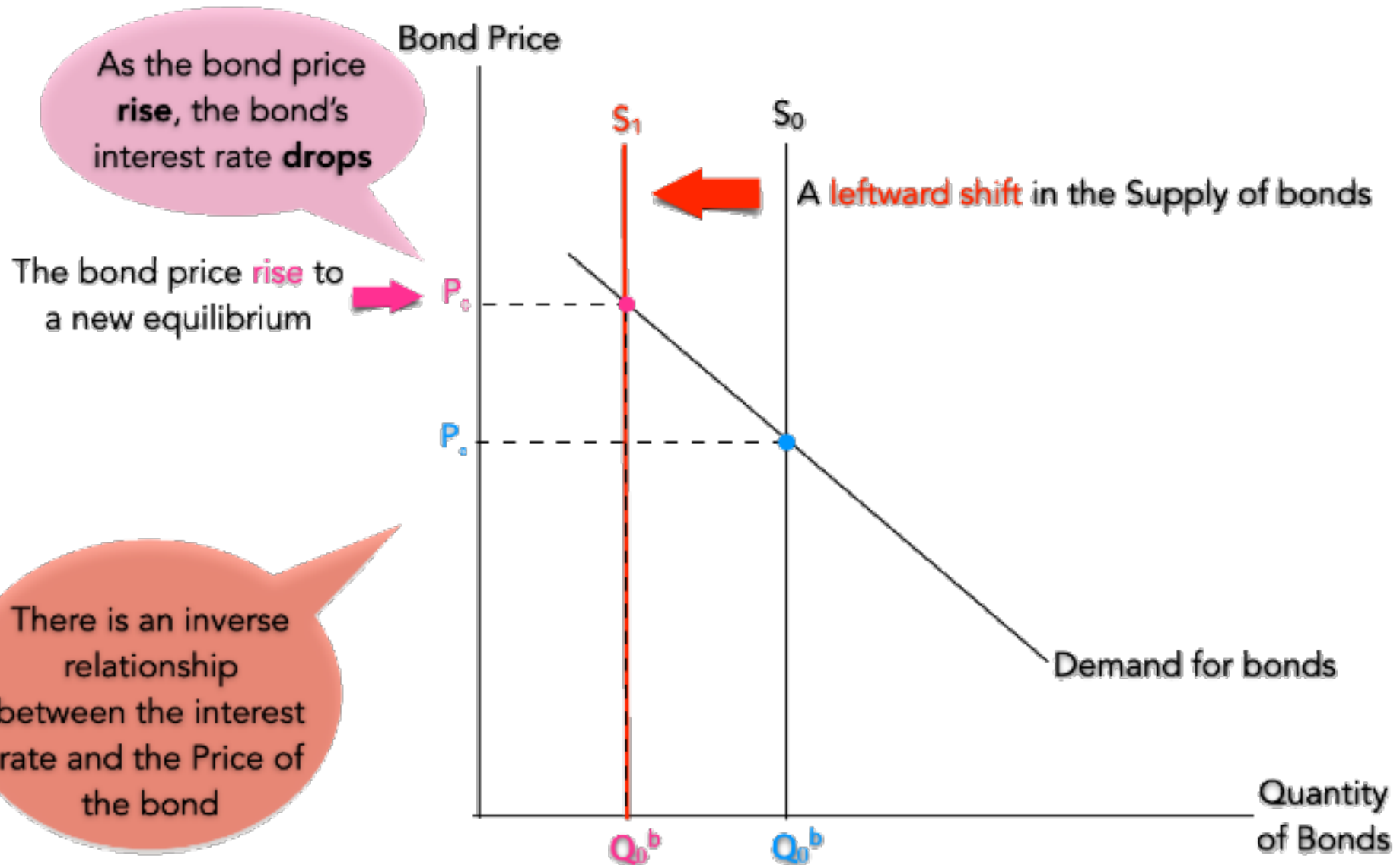
The Fed Funds Rate drops

$Q^s = Q^d$ $Q^s = Q^d$

Federal Funds

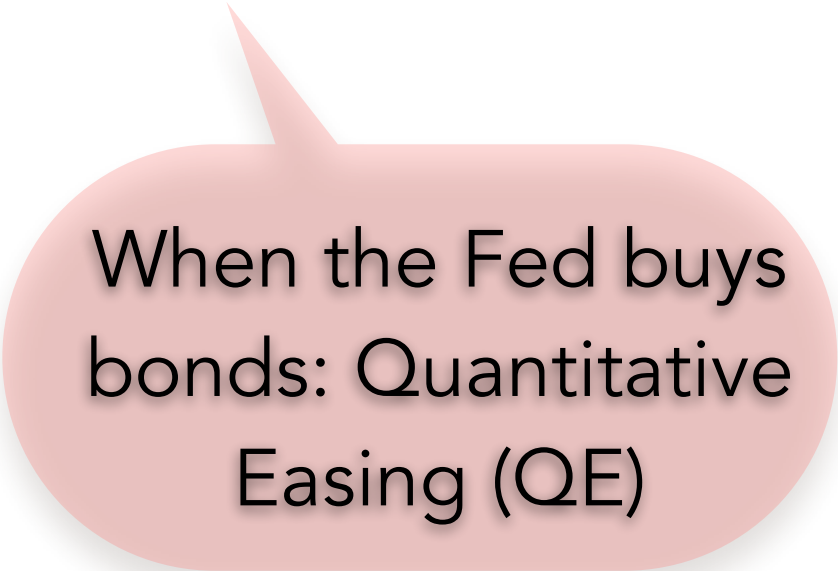


The Bond Market



Interest rates **drop** in
all three markets

The effect of a Purchase of bonds by the Fed



When the Fed buys
bonds: Quantitative
Easing (QE)

This is what the Fed did during
the Pandemic to stimulate the
economy

The Money Market





The Federal Funds Market

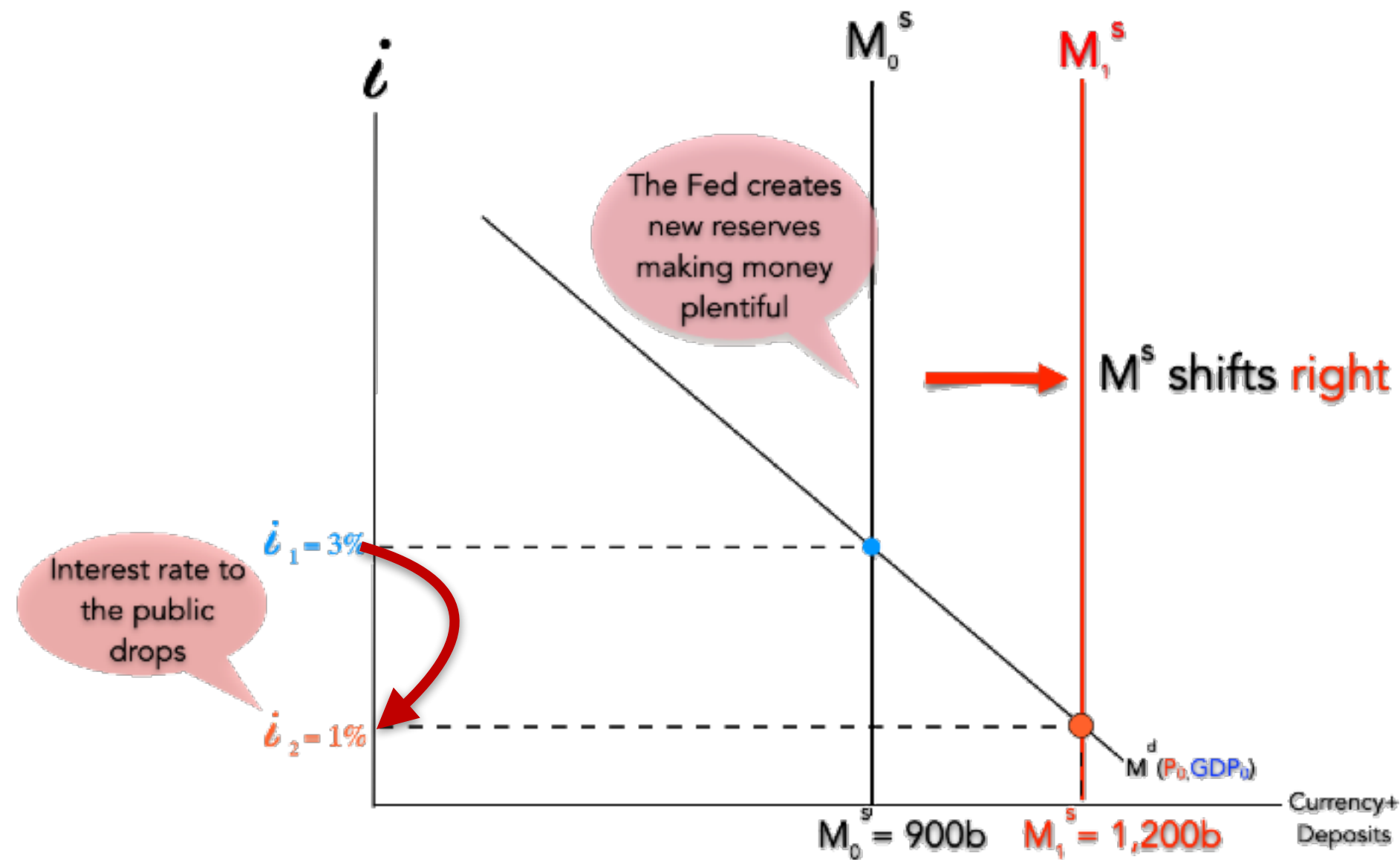


The Bond Market



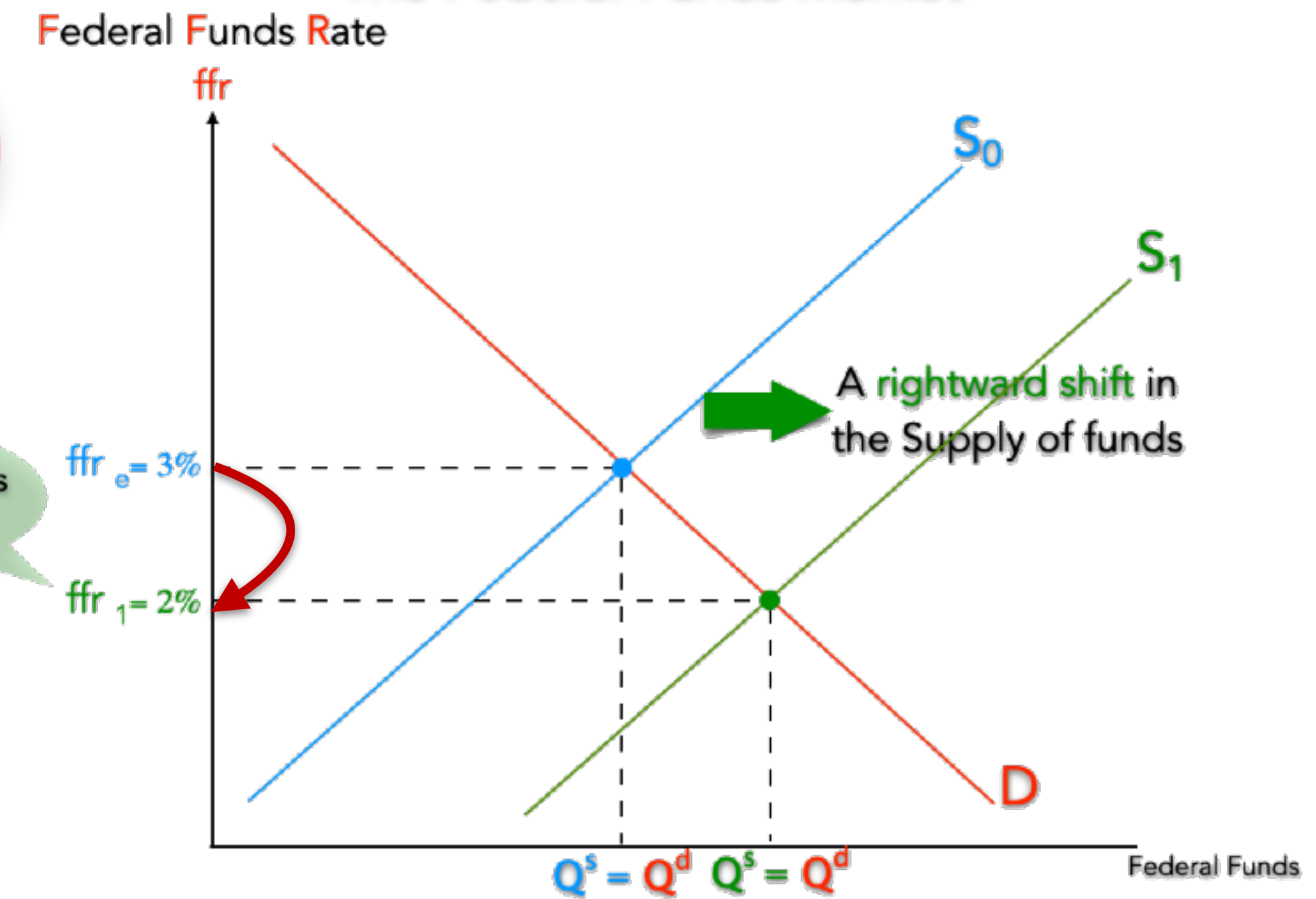
The effect of a **Purchase** of bonds by the Fed

The Money Market

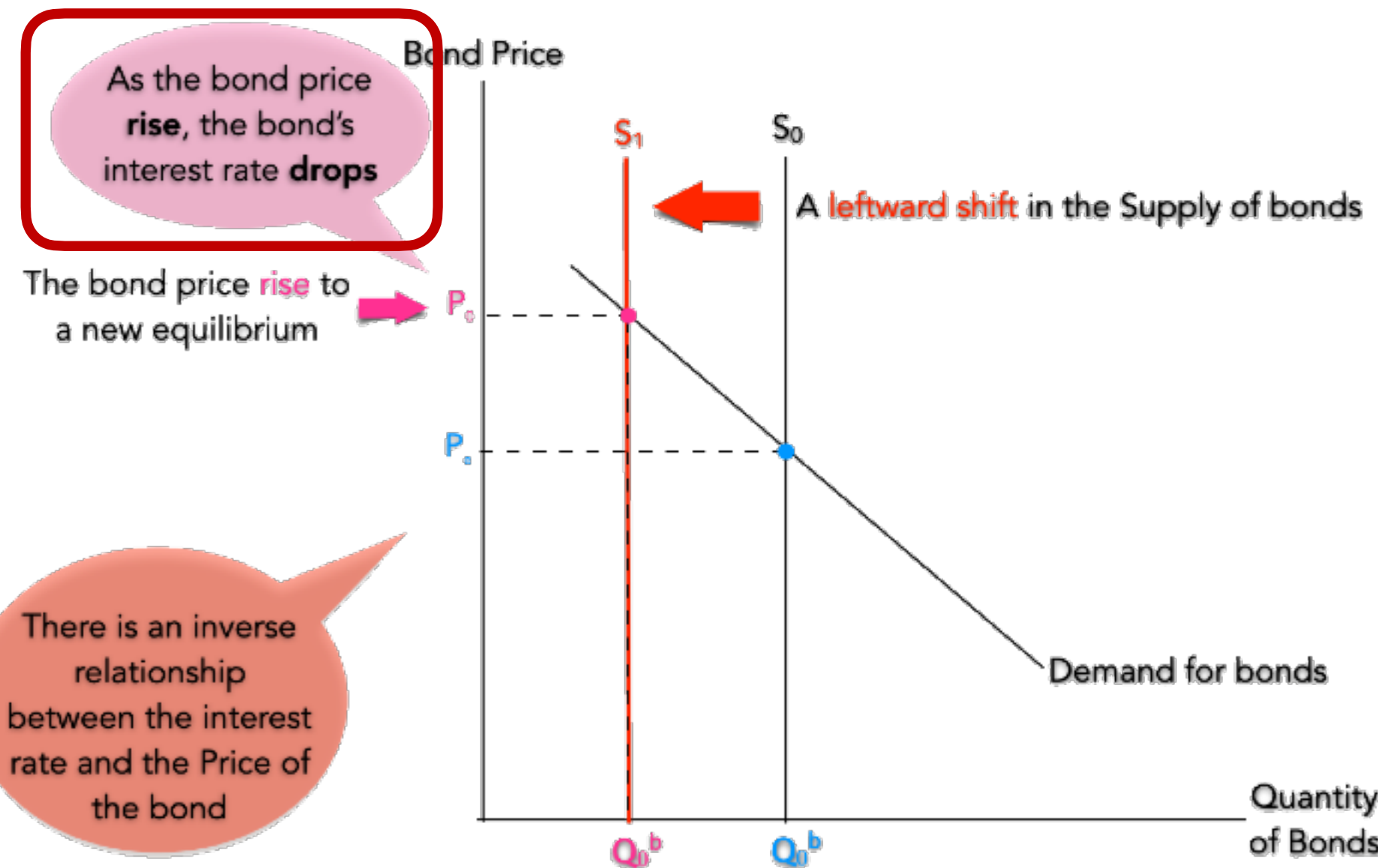


When the Fed buys bonds: Quantitative Easing (QE)

The Federal Funds Market



The Bond Market



Interest rates **drop** in all three markets

This is what the Fed did during the Pandemic to stimulate the economy

- Federal Funds Effective Rate
- 30-Year Fixed Rate Mortgage Average in the United States
- Bank Prime Loan Rate
- Long-Term Government Bond Yields: 10-year: Main (Including Benchmark) for the United States

