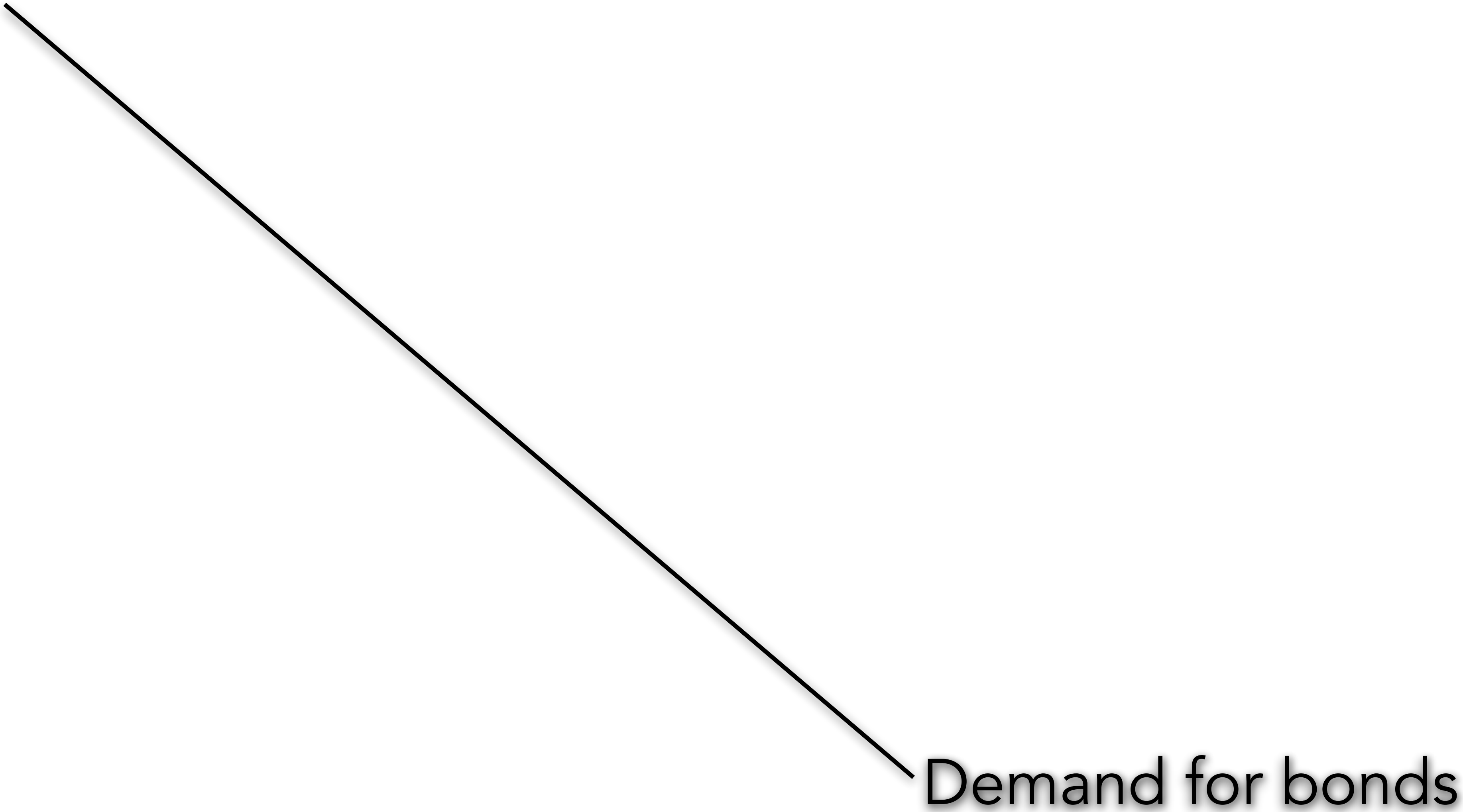

Demand for bonds

Quantity
of Bonds

S_0

Bond Price

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

Fed sells

Bonds

Increase 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

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

P1
Q0b

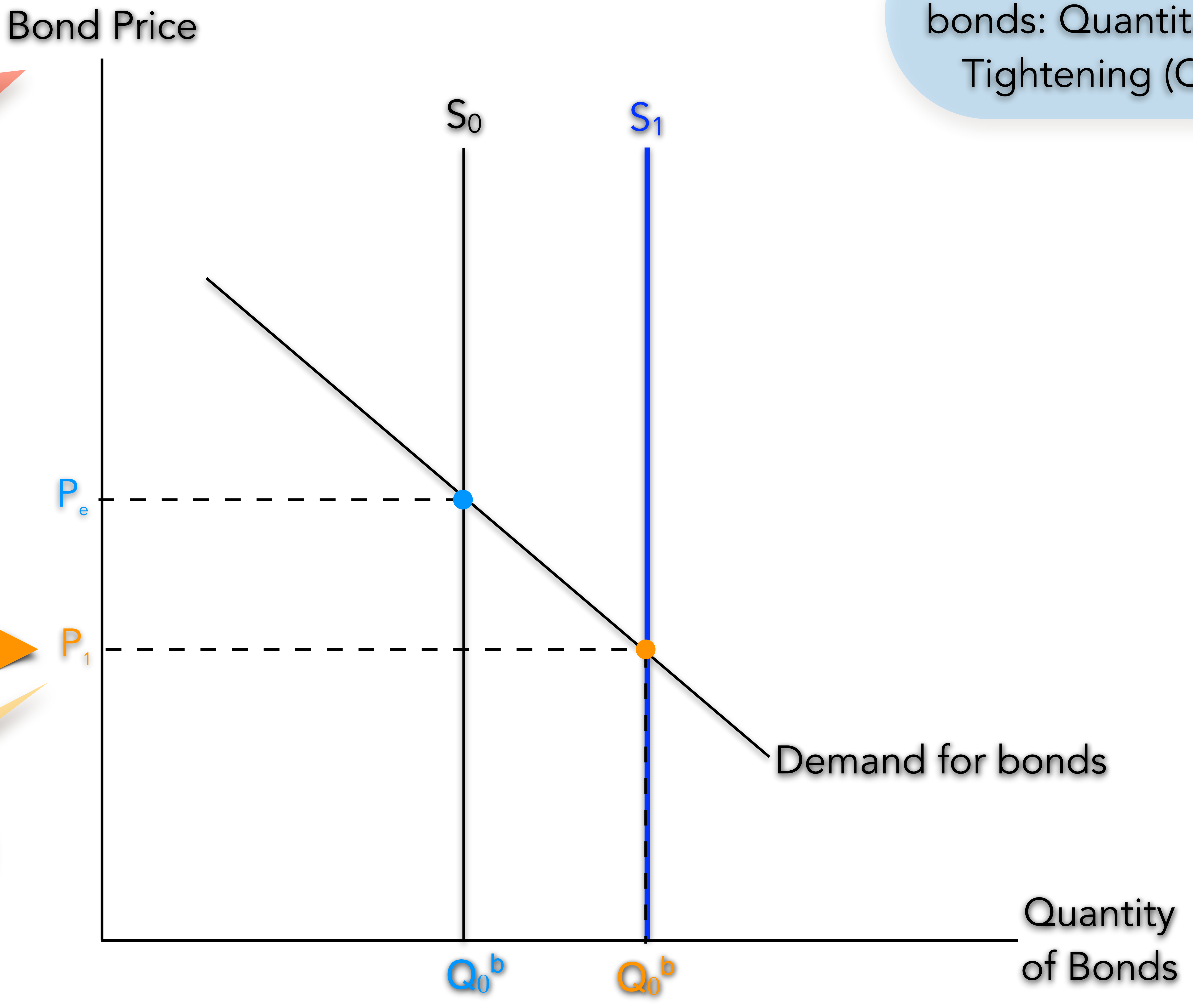
When the Fed sells bonds: Quantitative Tightening (QT)

Lower price/
Higher yield

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

When the Fed sells bonds: Quantitative Tightening (QT)

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



The bond price fall to a new equilibrium

Lower price/ Higher yield

Fed sells Bonds

↓

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

↓

The Supply of bonds **increase**