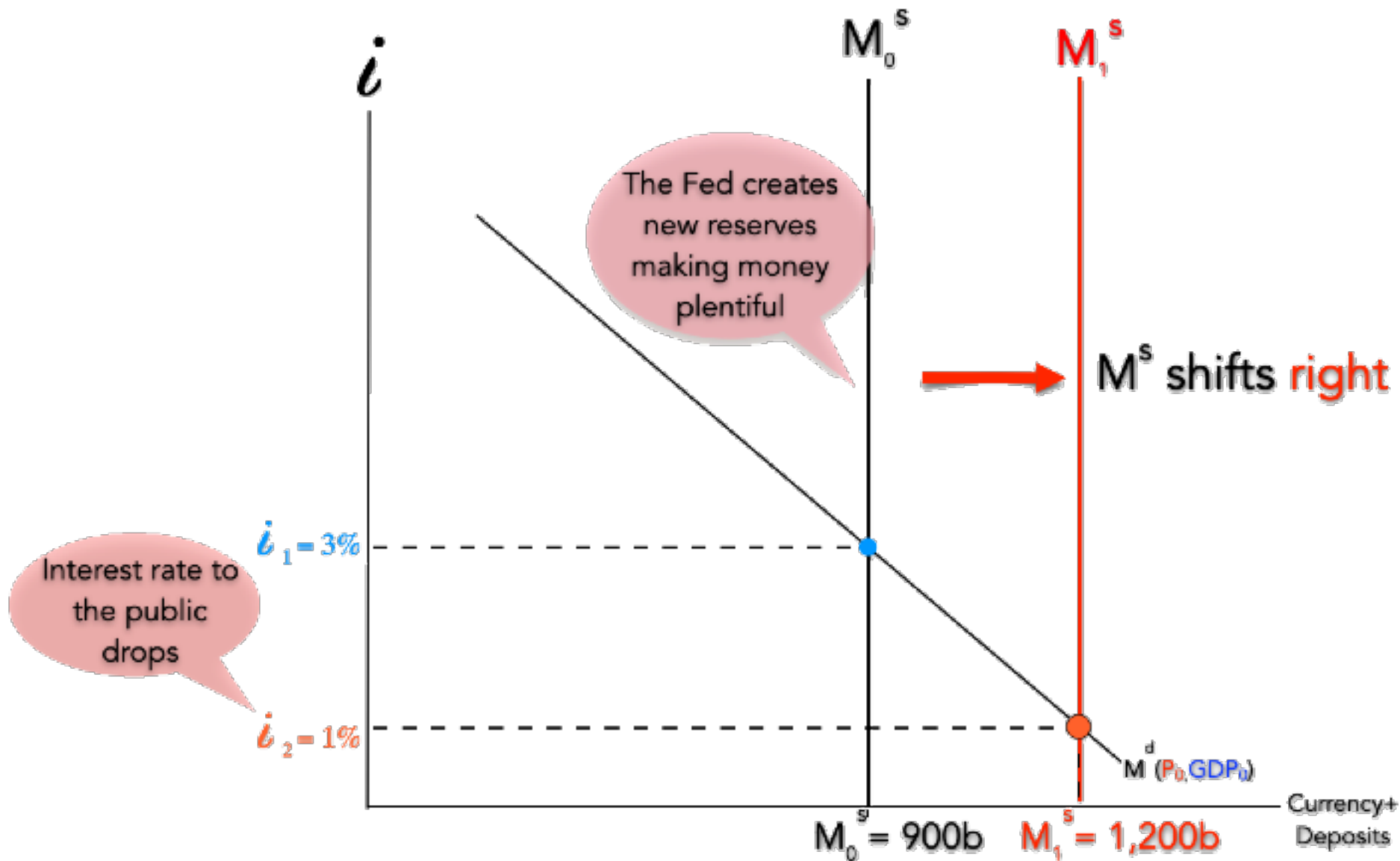




# The Money Market



# The Federal Funds Market

Federal Funds Rate

ffr

$S_0$

$S_1$

A rightward shift in the Supply of funds

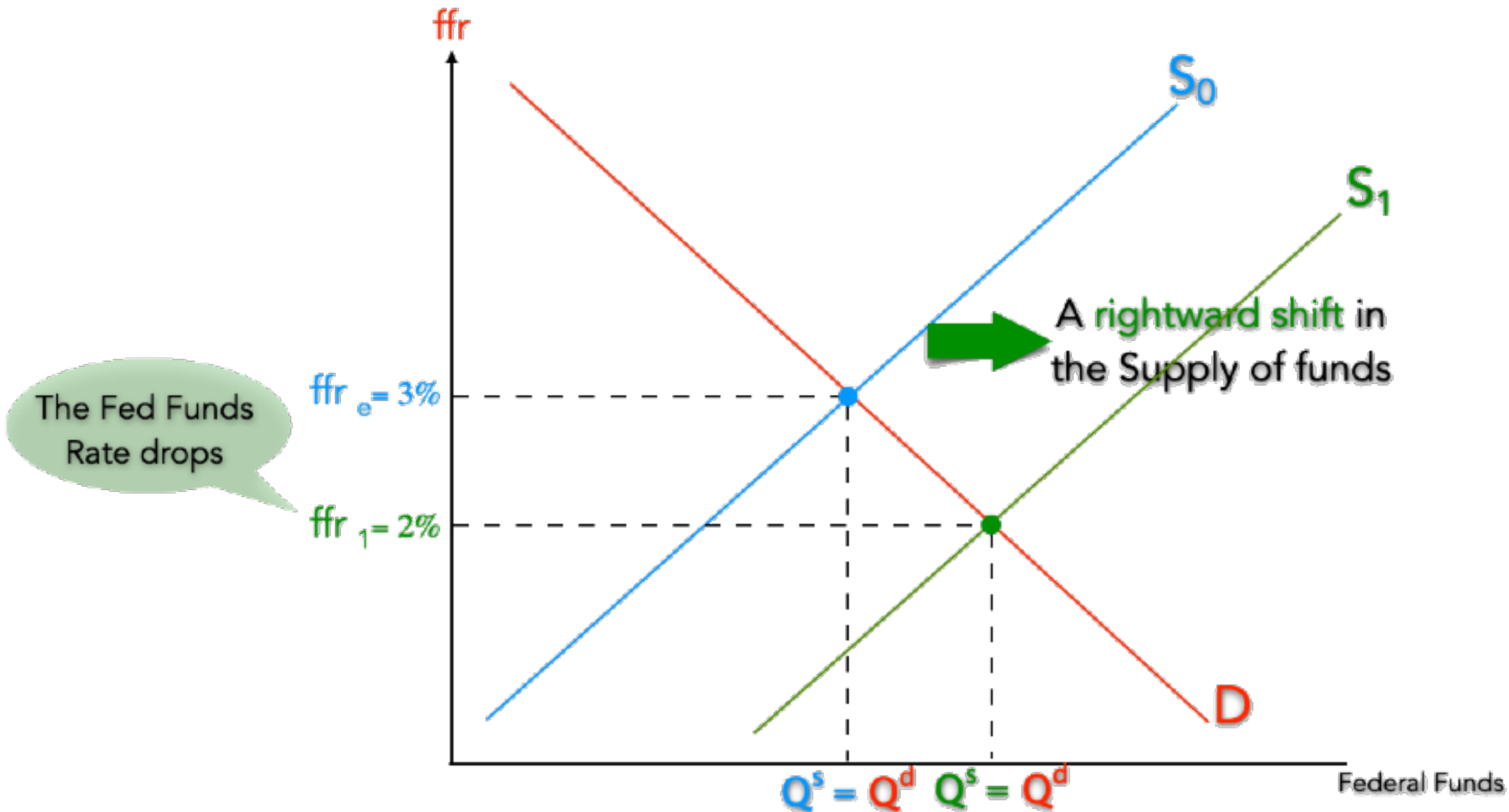
$ffr_e = 3\%$

$ffr_1 = 2\%$

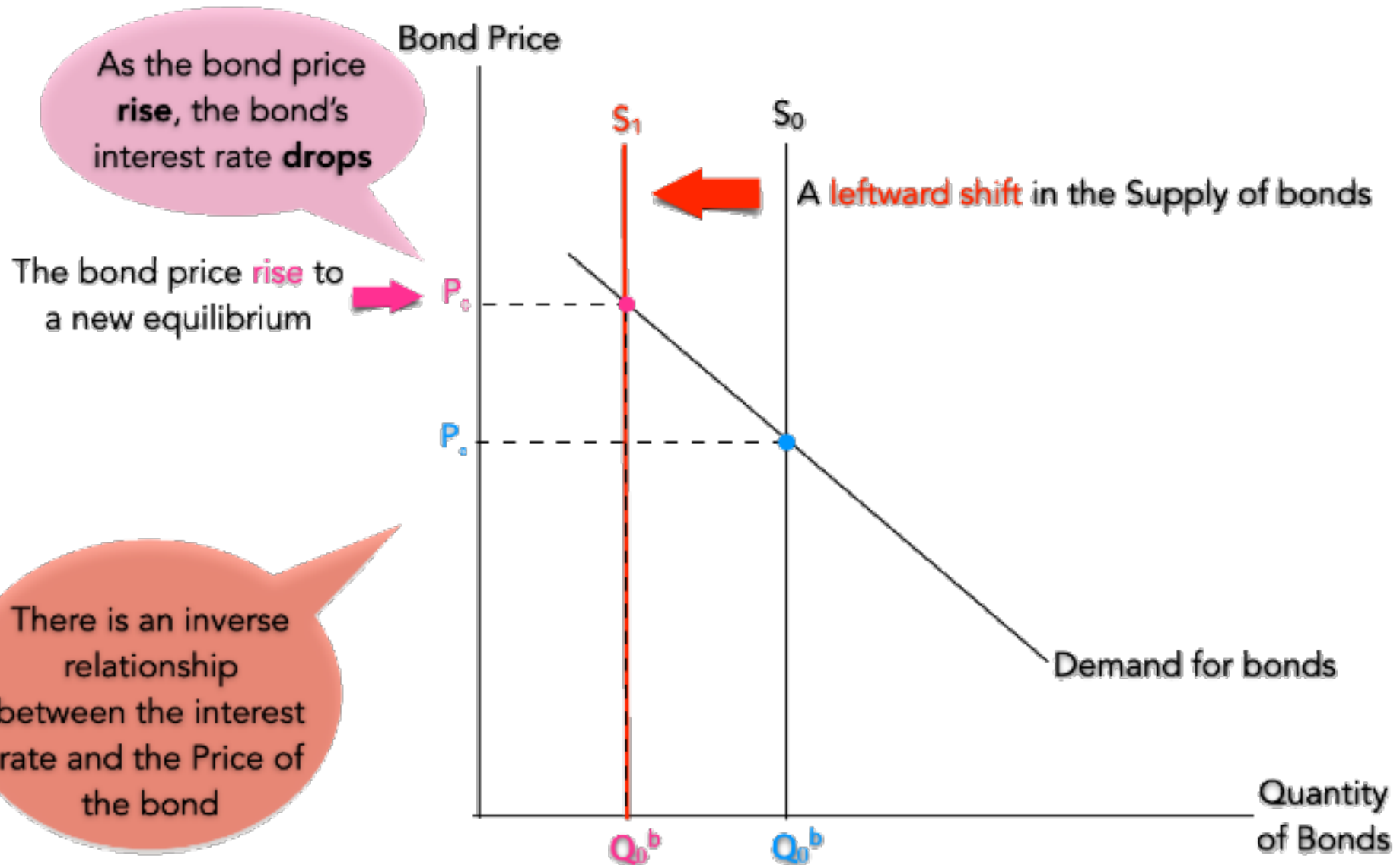
The Fed Funds Rate drops

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

Federal Funds

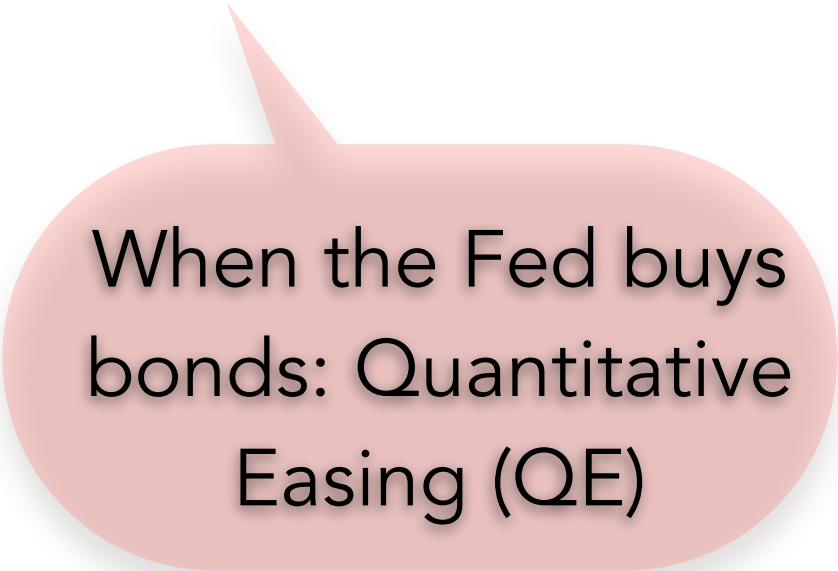


# The Bond Market



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

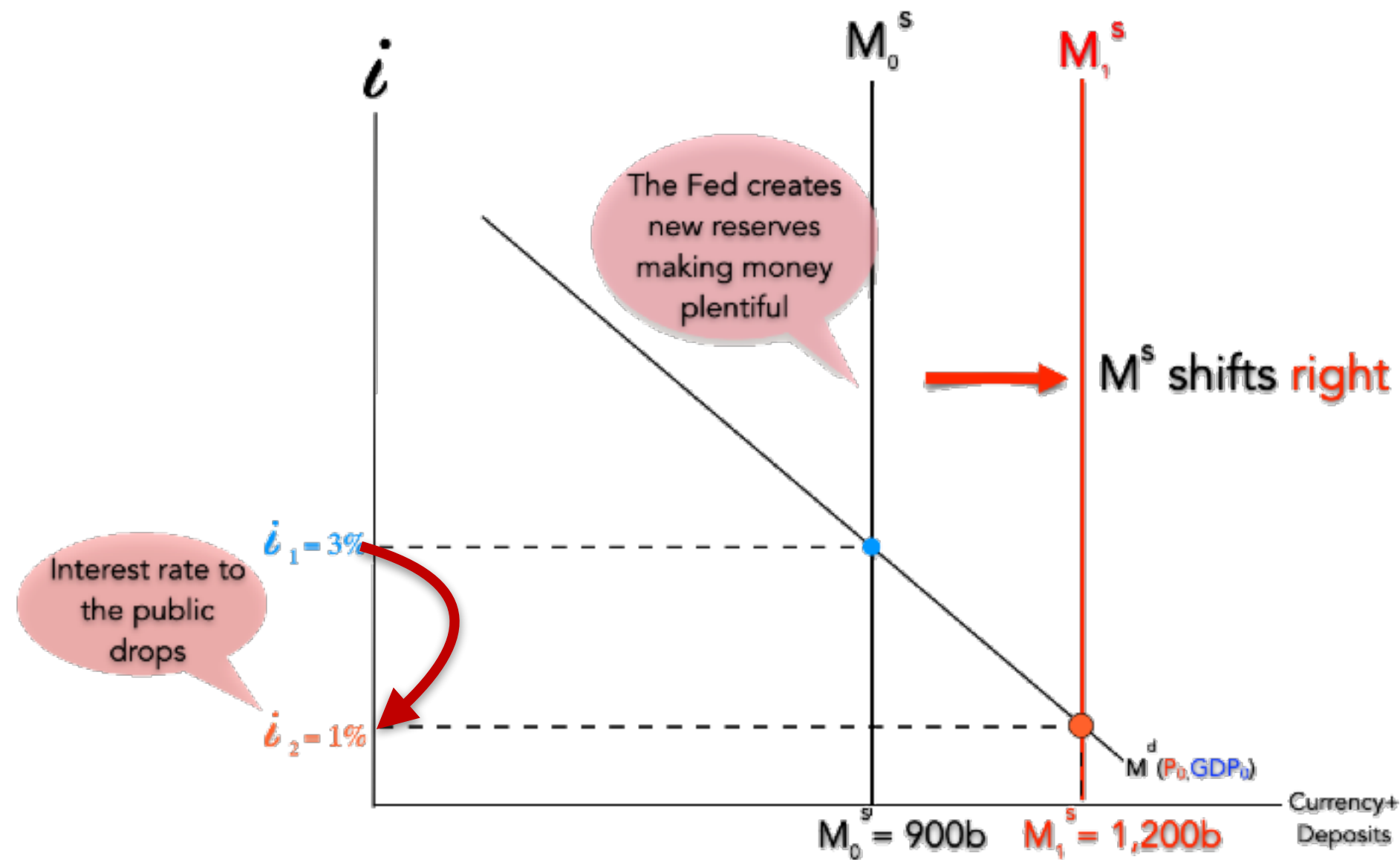


The Bond Market



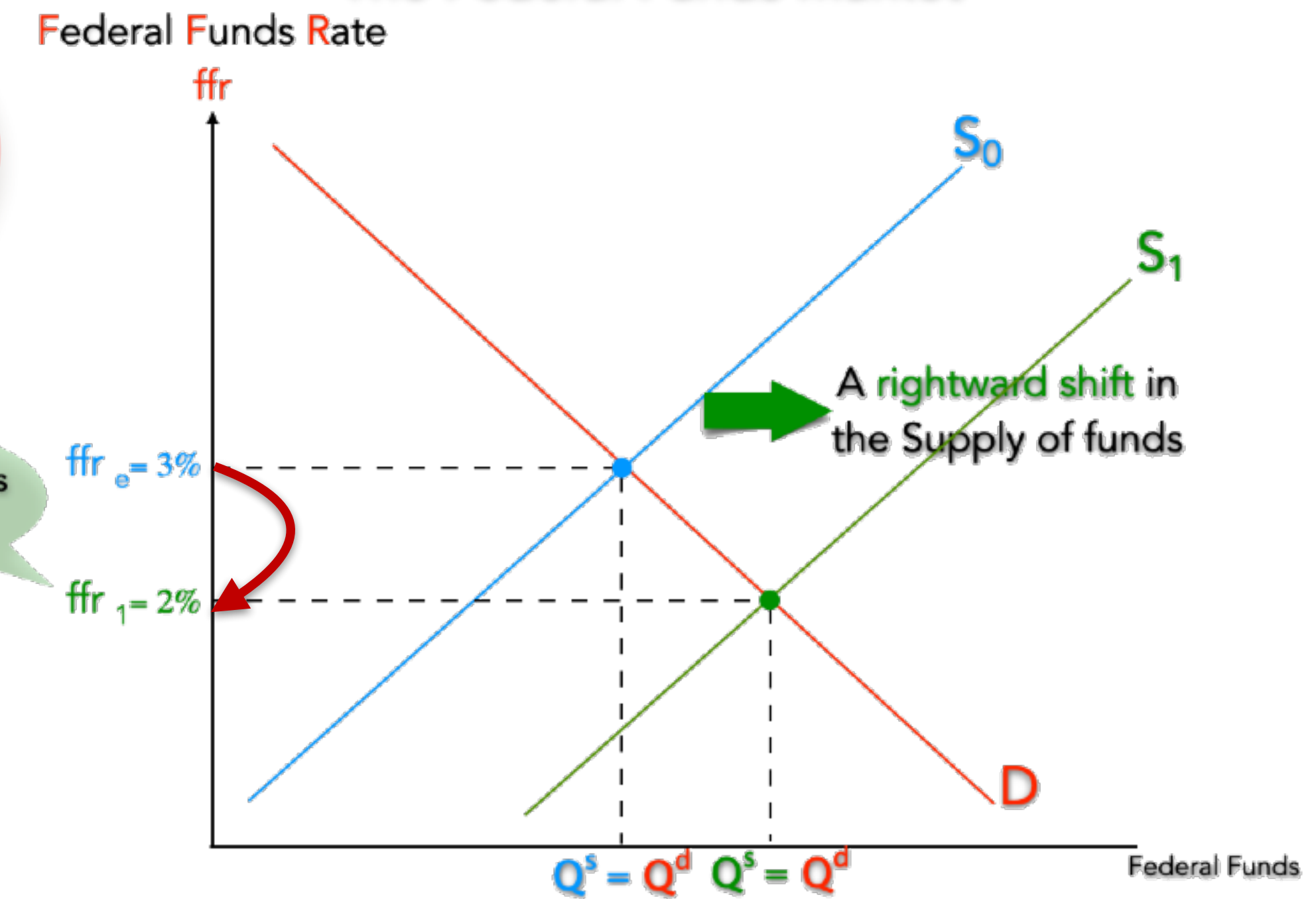
# The effect of a **Purchase** of bonds by the Fed

## The Money Market

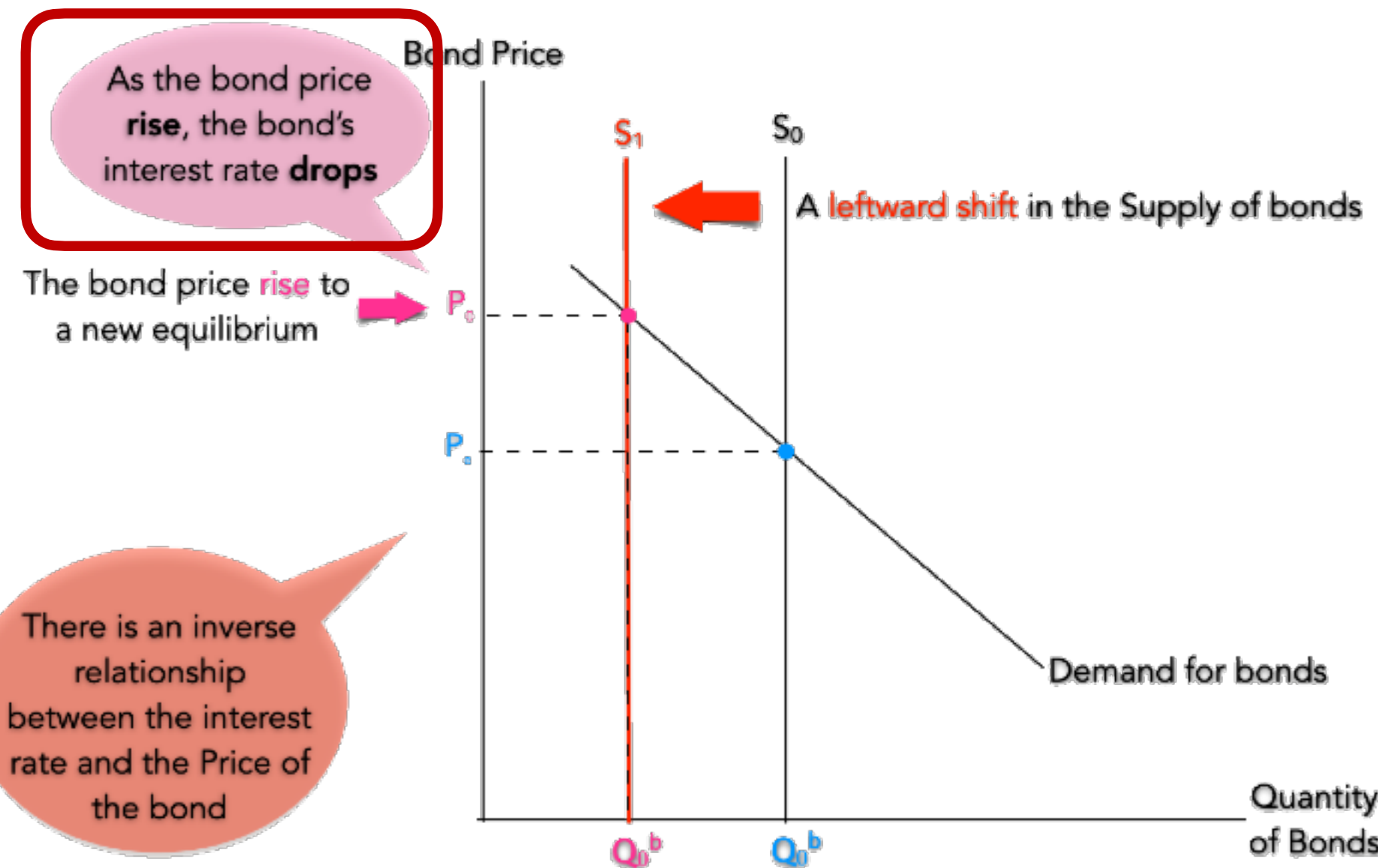


When the Fed buys bonds: Quantitative Easing (QE)

## 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