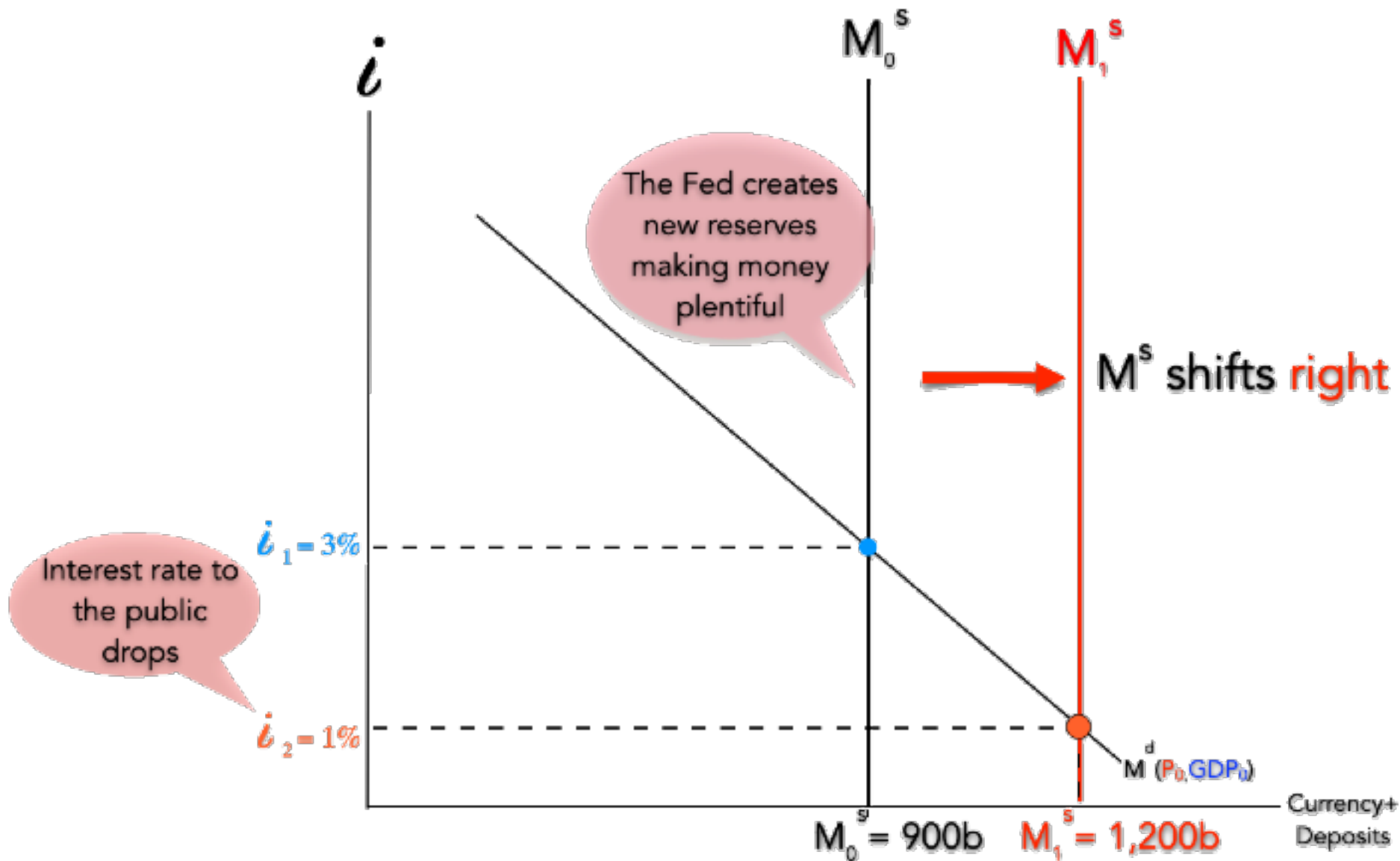


The Money Market



The Federal Funds Market

Federal Funds Rate

ffr

S_0

S_1

A rightward shift in the Supply of funds

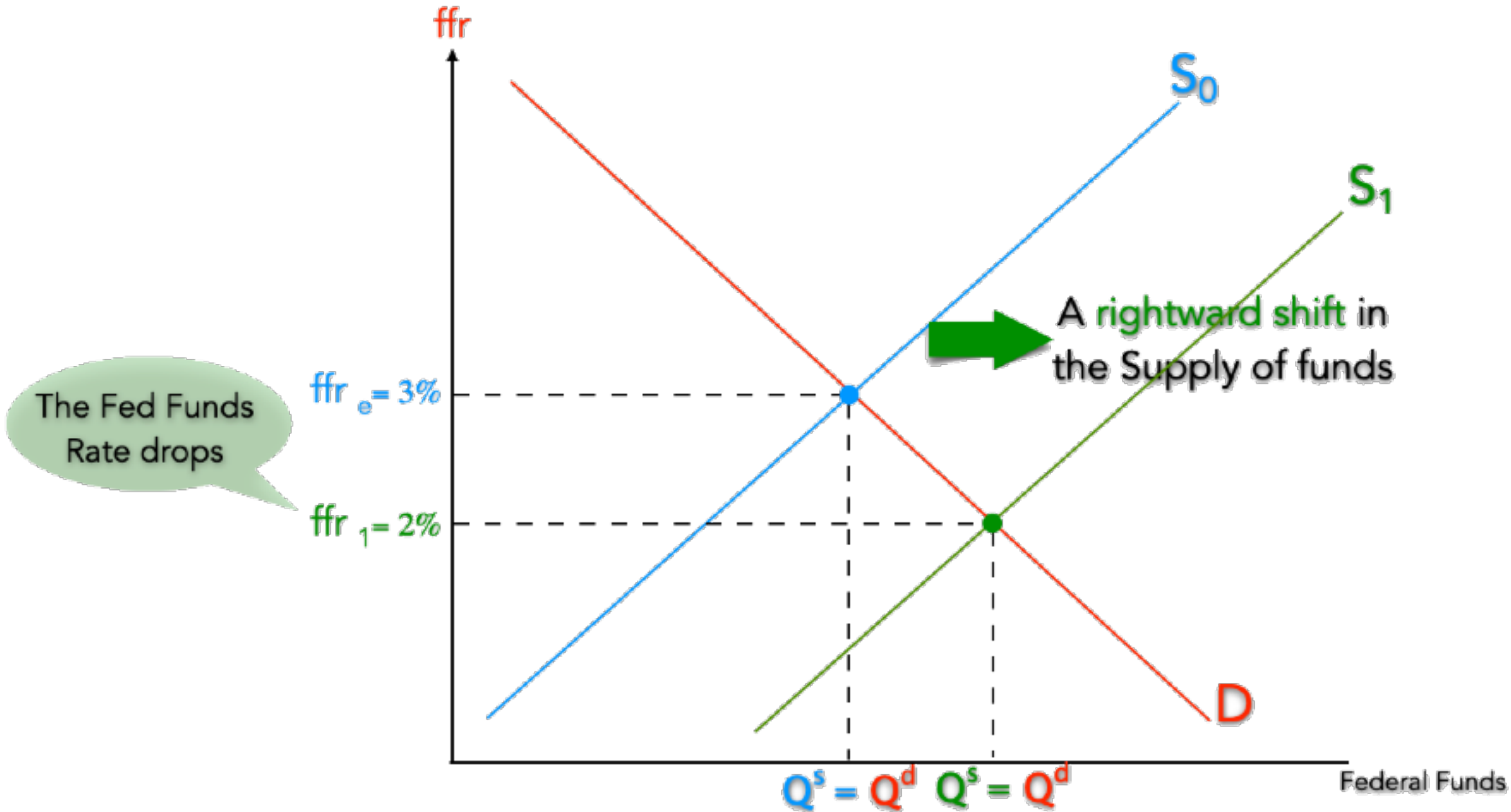
$ffr_e = 3\%$

$ffr_1 = 2\%$

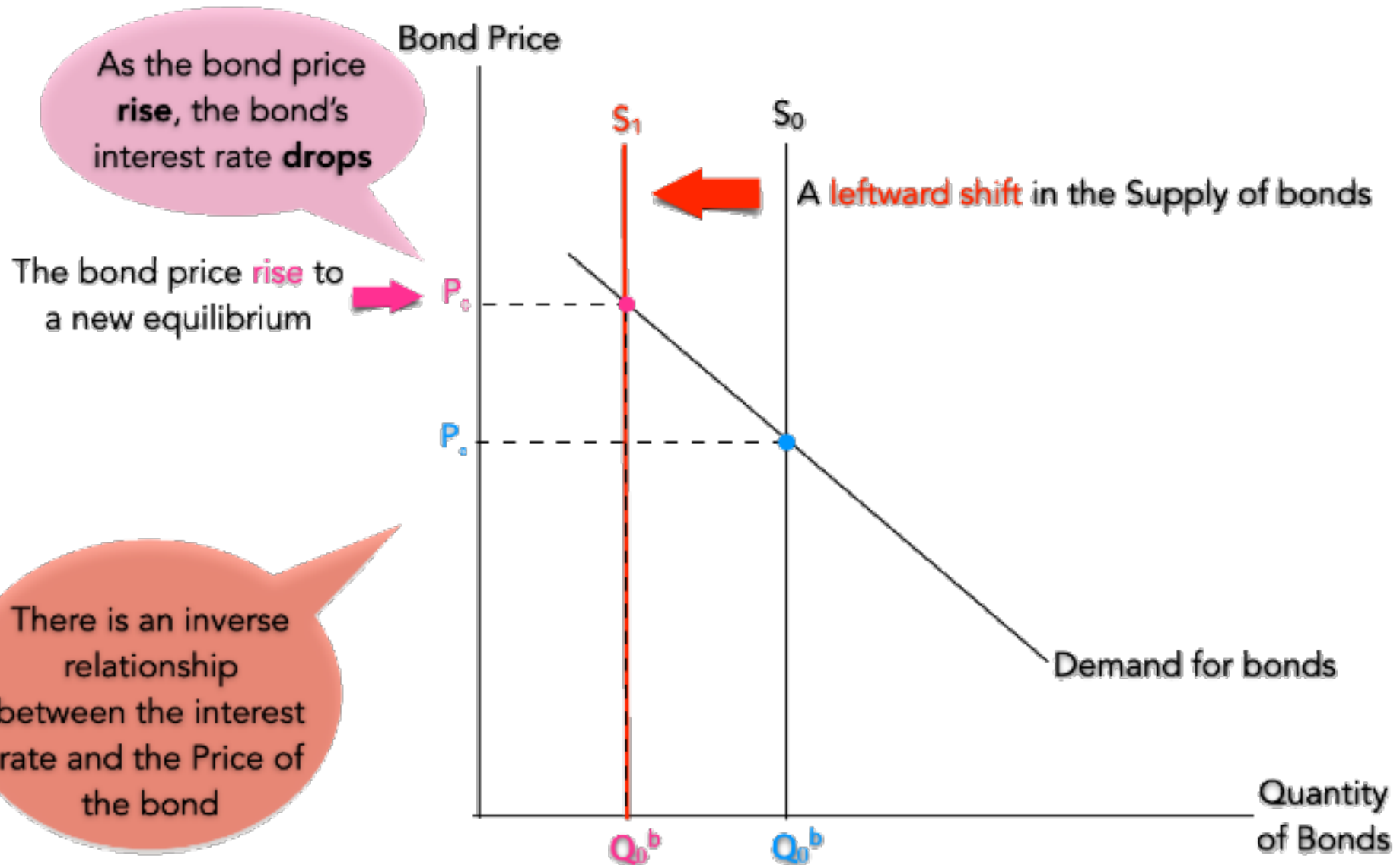
The Fed Funds Rate drops

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

Federal Funds

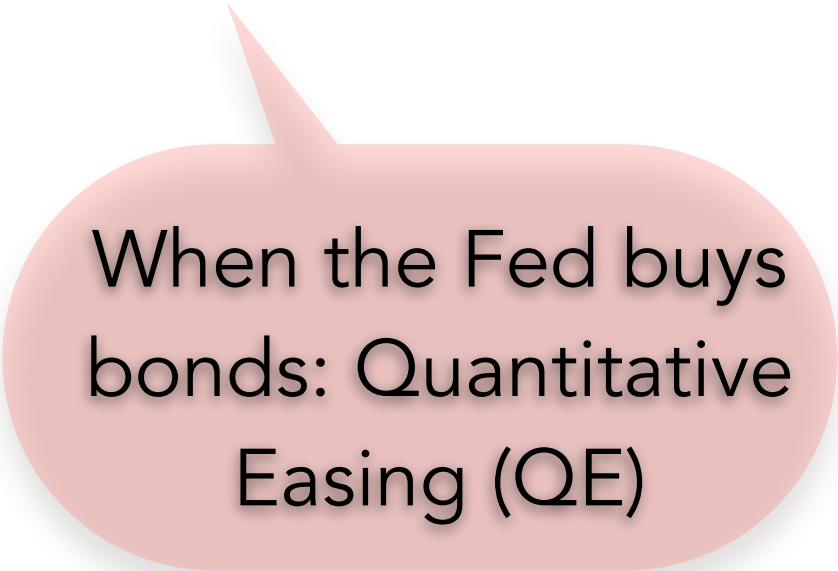


The Bond Market



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

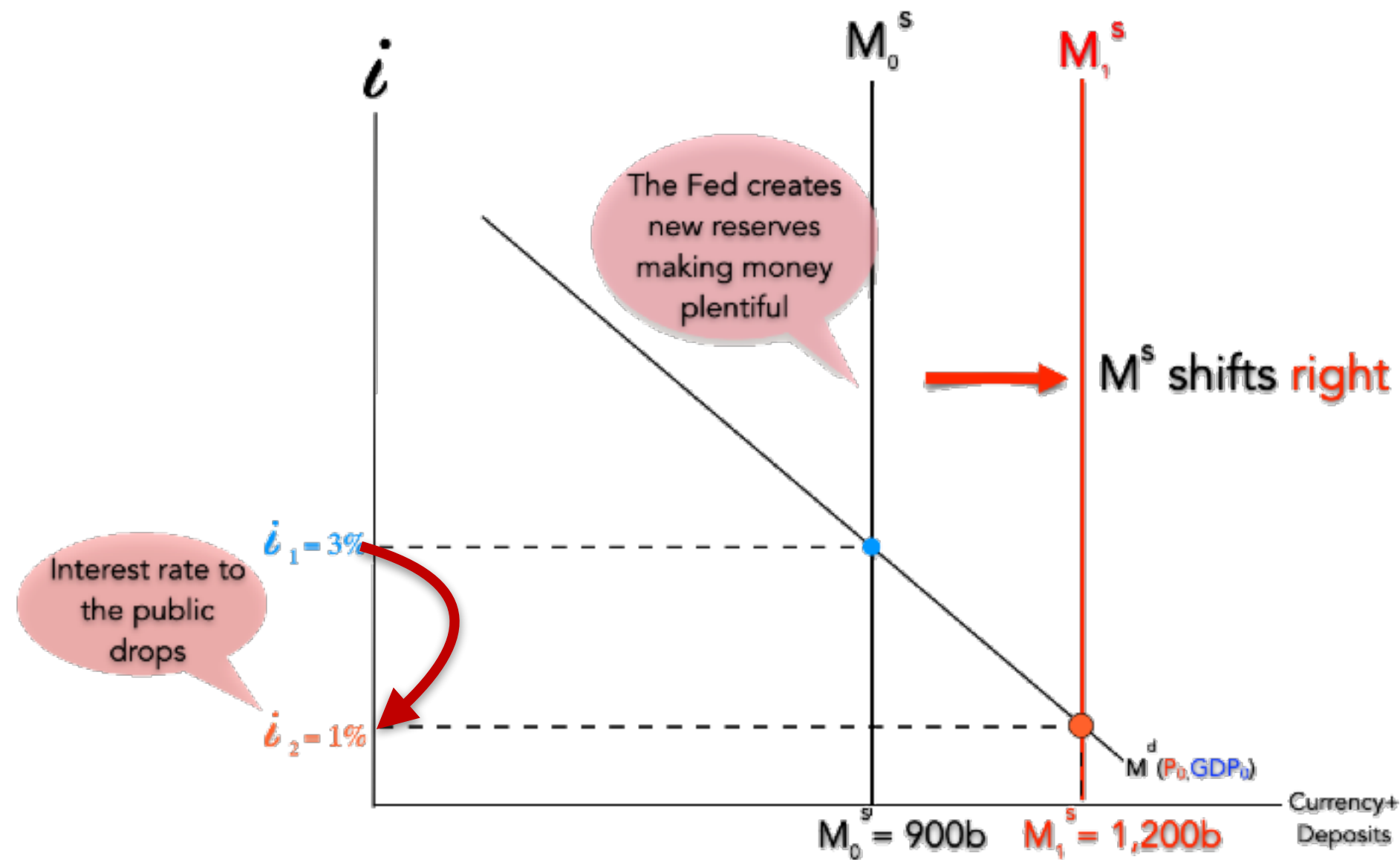


The Bond Market



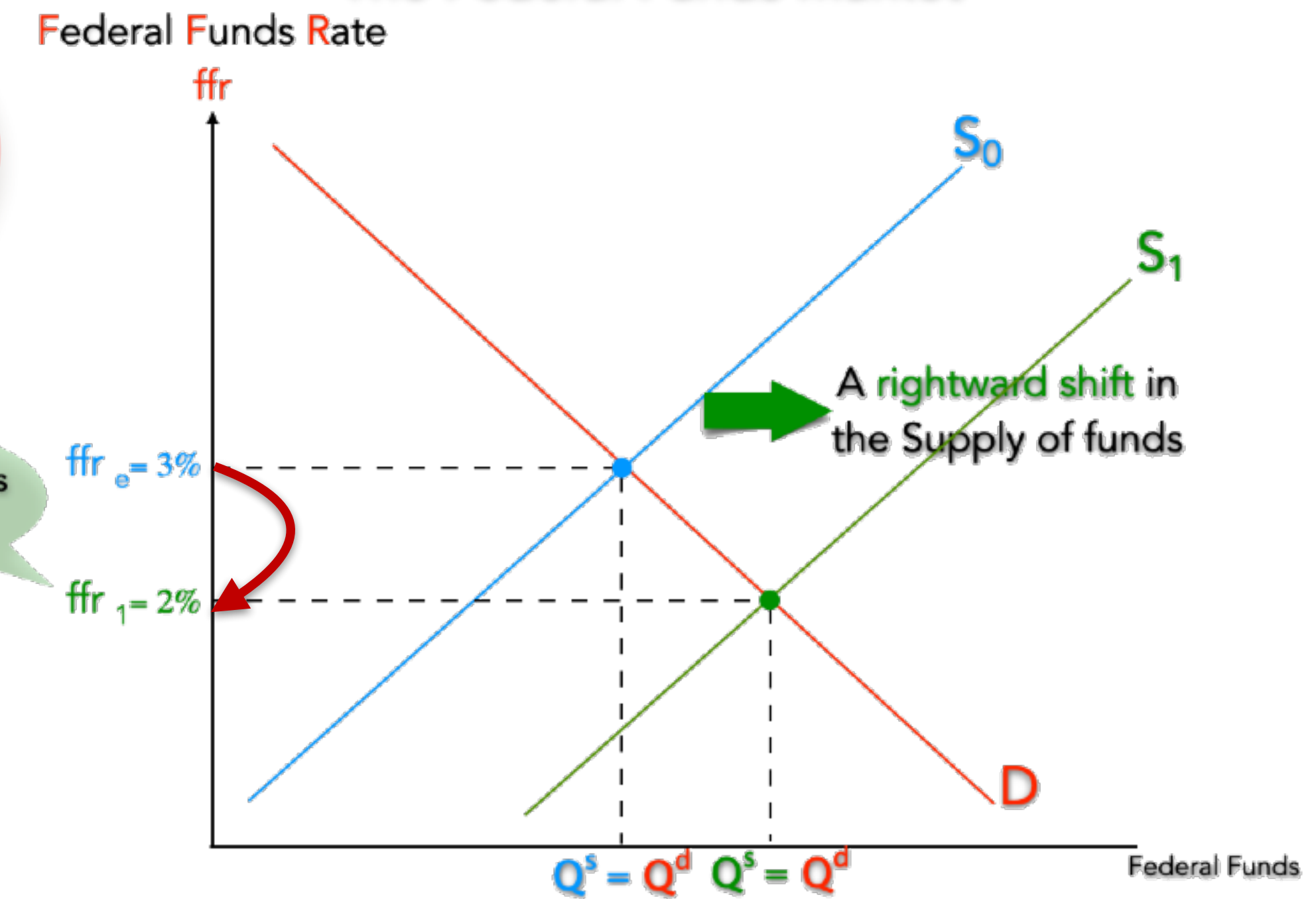
The effect of a **Purchase** of bonds by the Fed

The Money Market

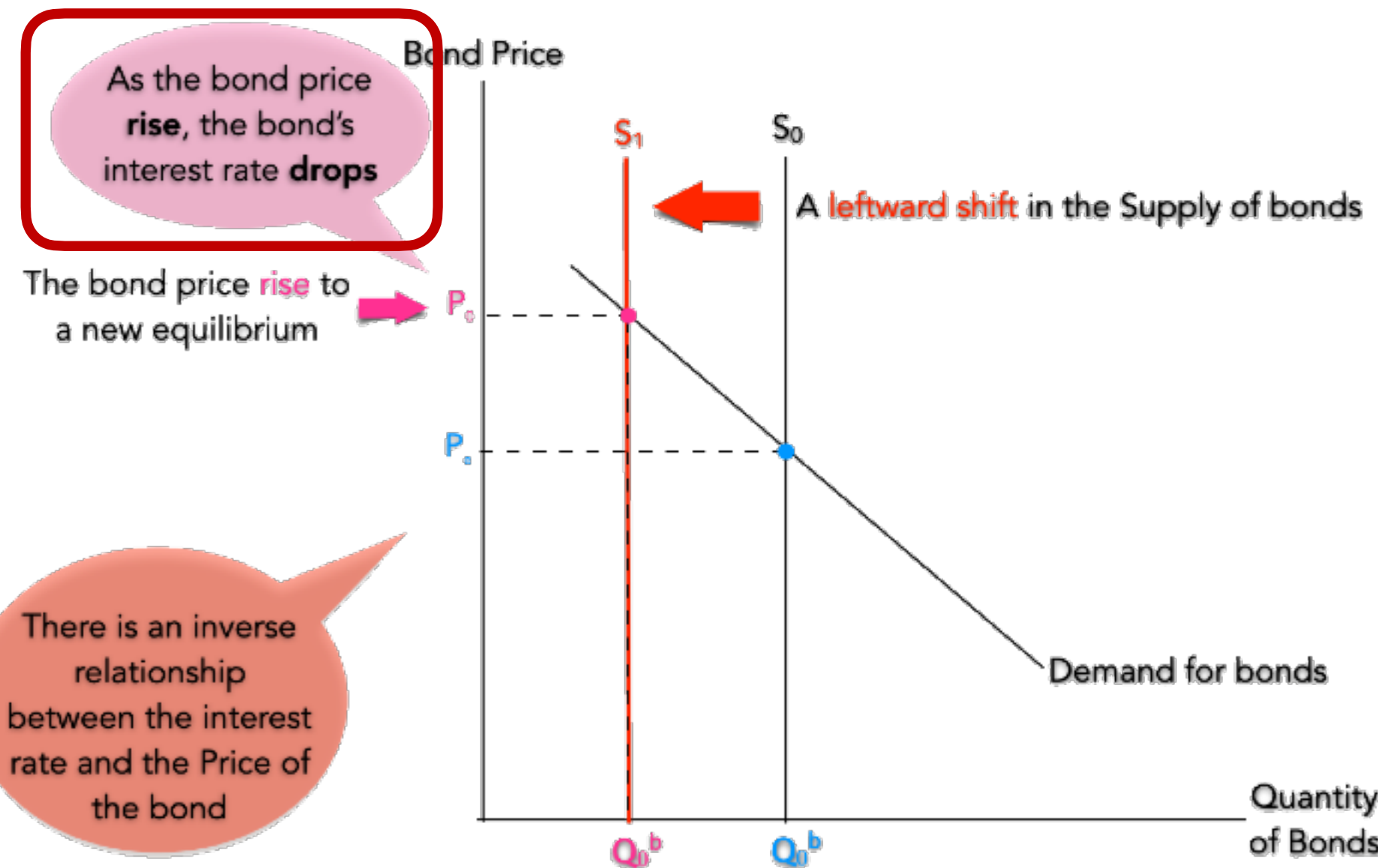


When the Fed buys bonds: Quantitative Easing (QE)

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

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