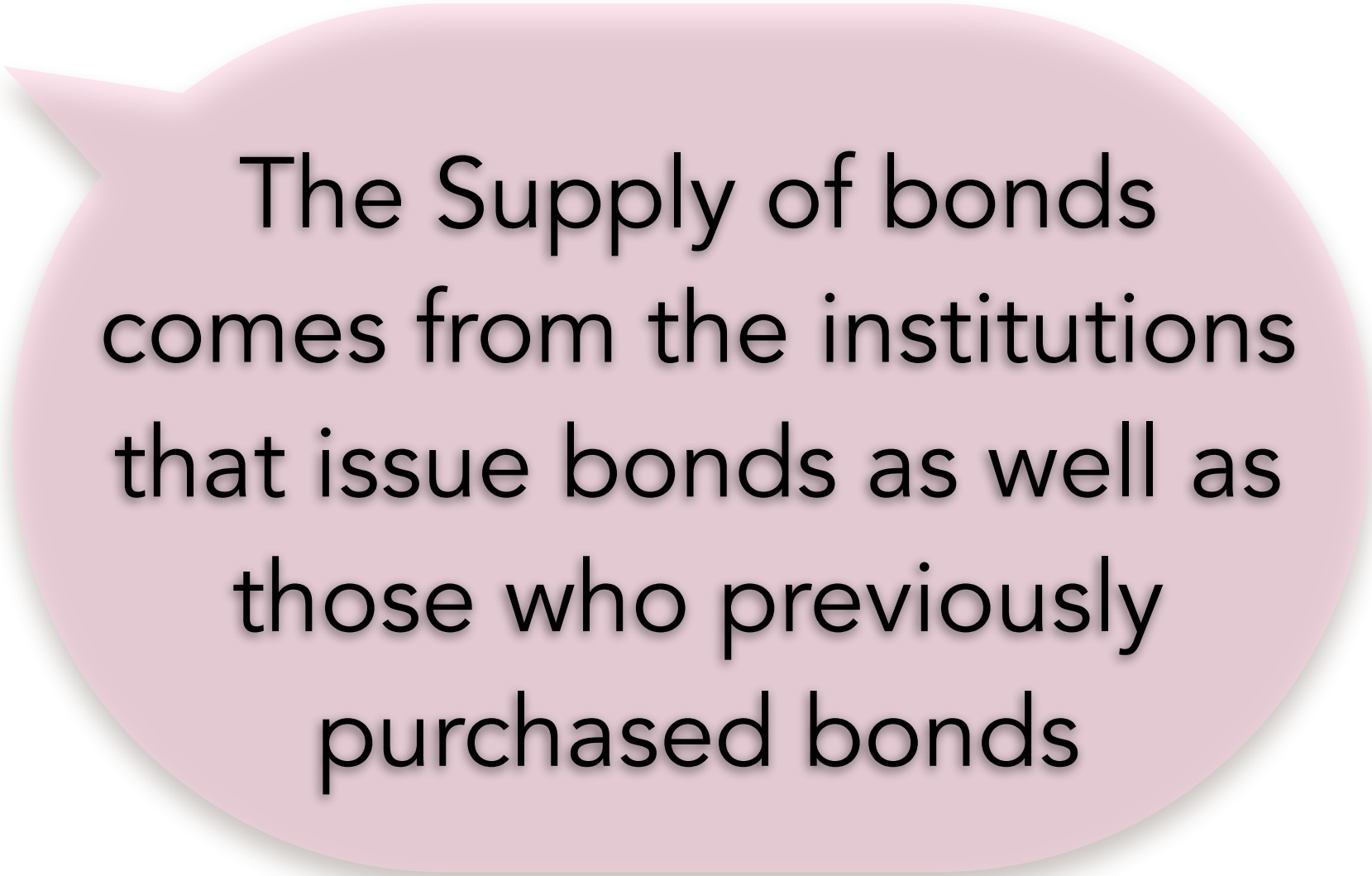
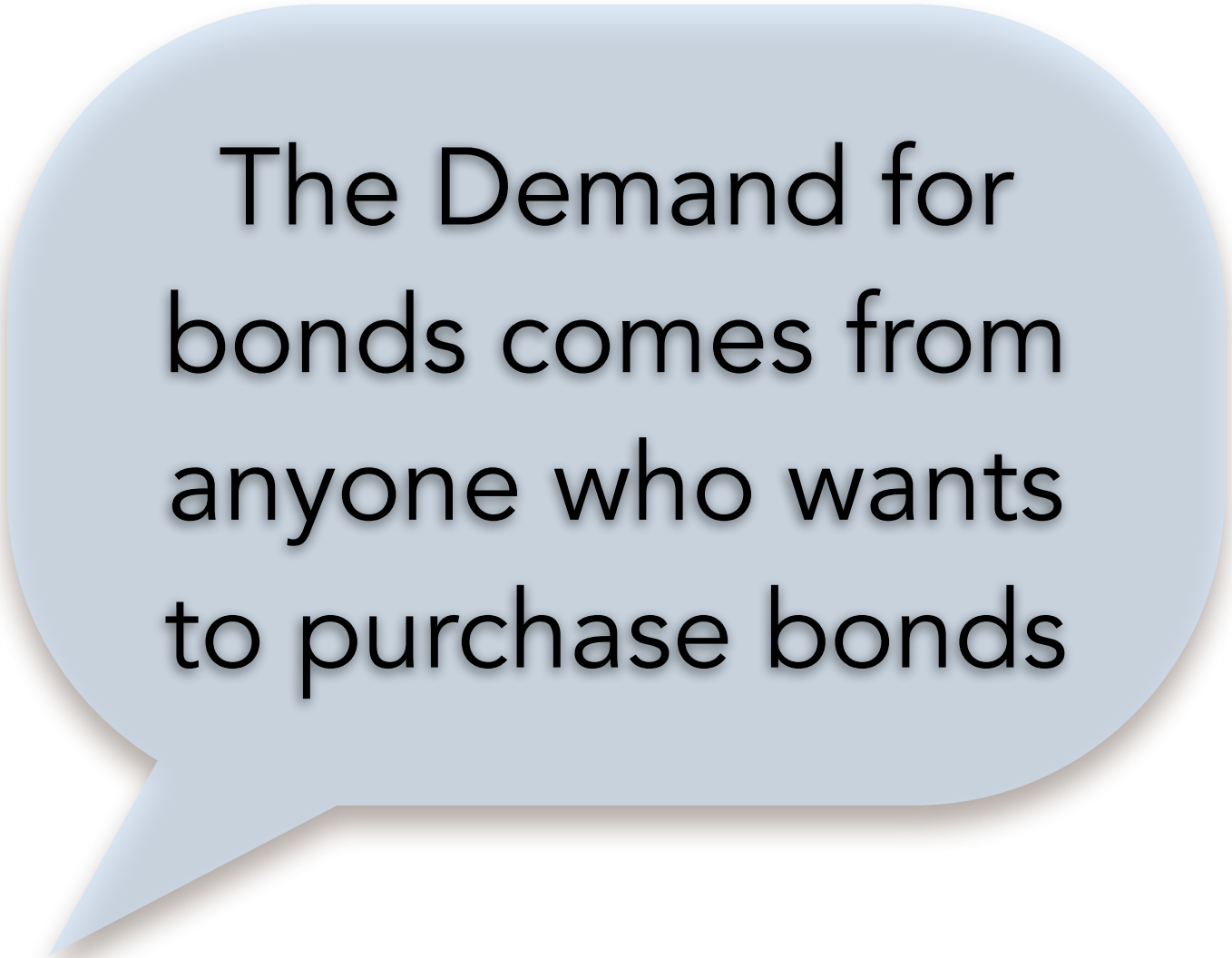


Demand for bonds



The Supply of bonds
comes from the institutions
that issue bonds as well as
those who previously
purchased bonds



The Demand for
bonds comes from
anyone who wants
to purchase bonds

The Bond Market

Quantity
of Bonds

Supply of bonds



Bond Price



Fixed
Quantity
Supplied
of Bonds

P_0



$D = 500$

Bond Price



Quantity
of Bonds

P_1



$D = 900$







2











b







S











a

S



W











e

Y













b







S





S



2







e







2a

S



W











Y









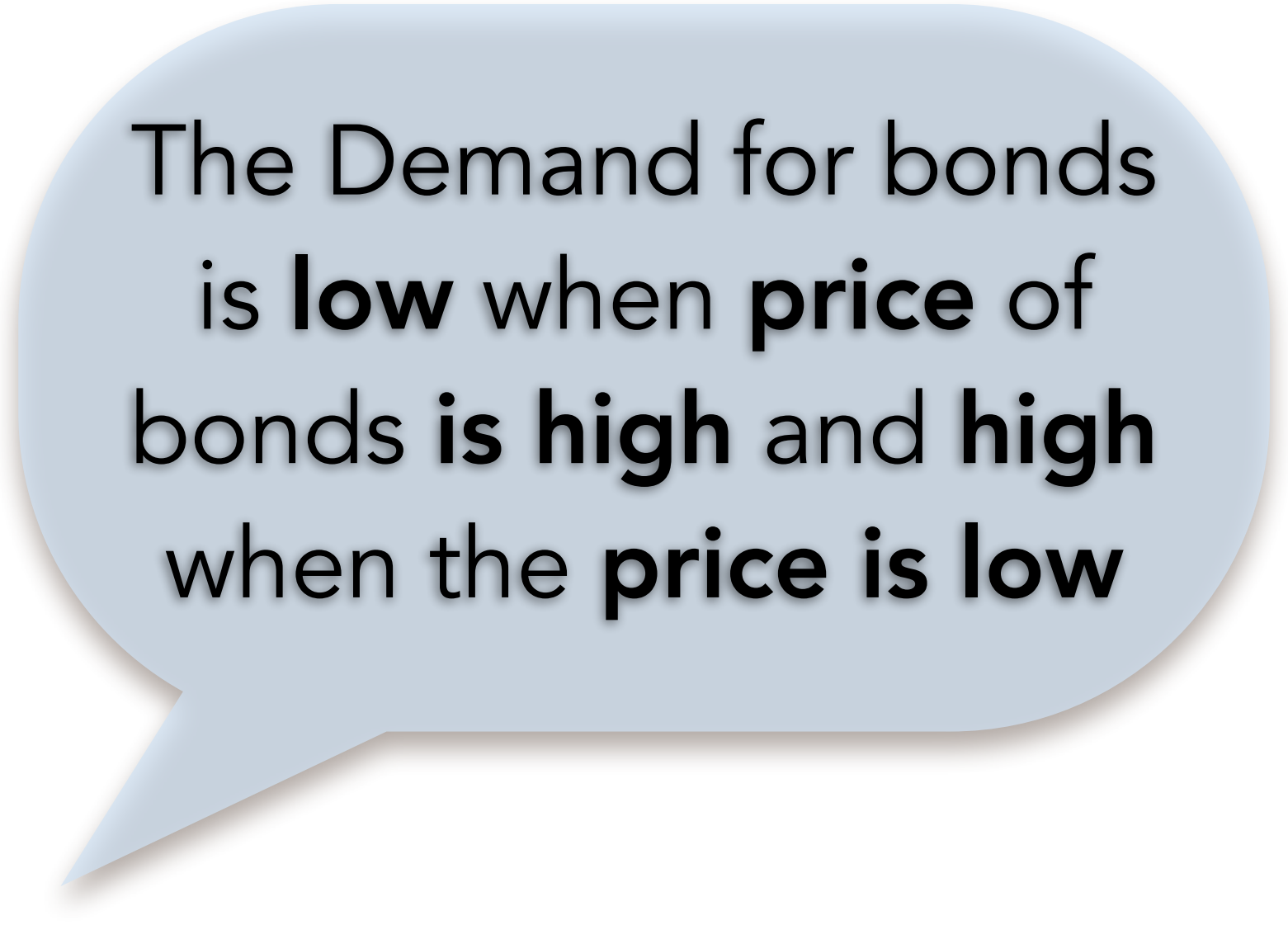


3

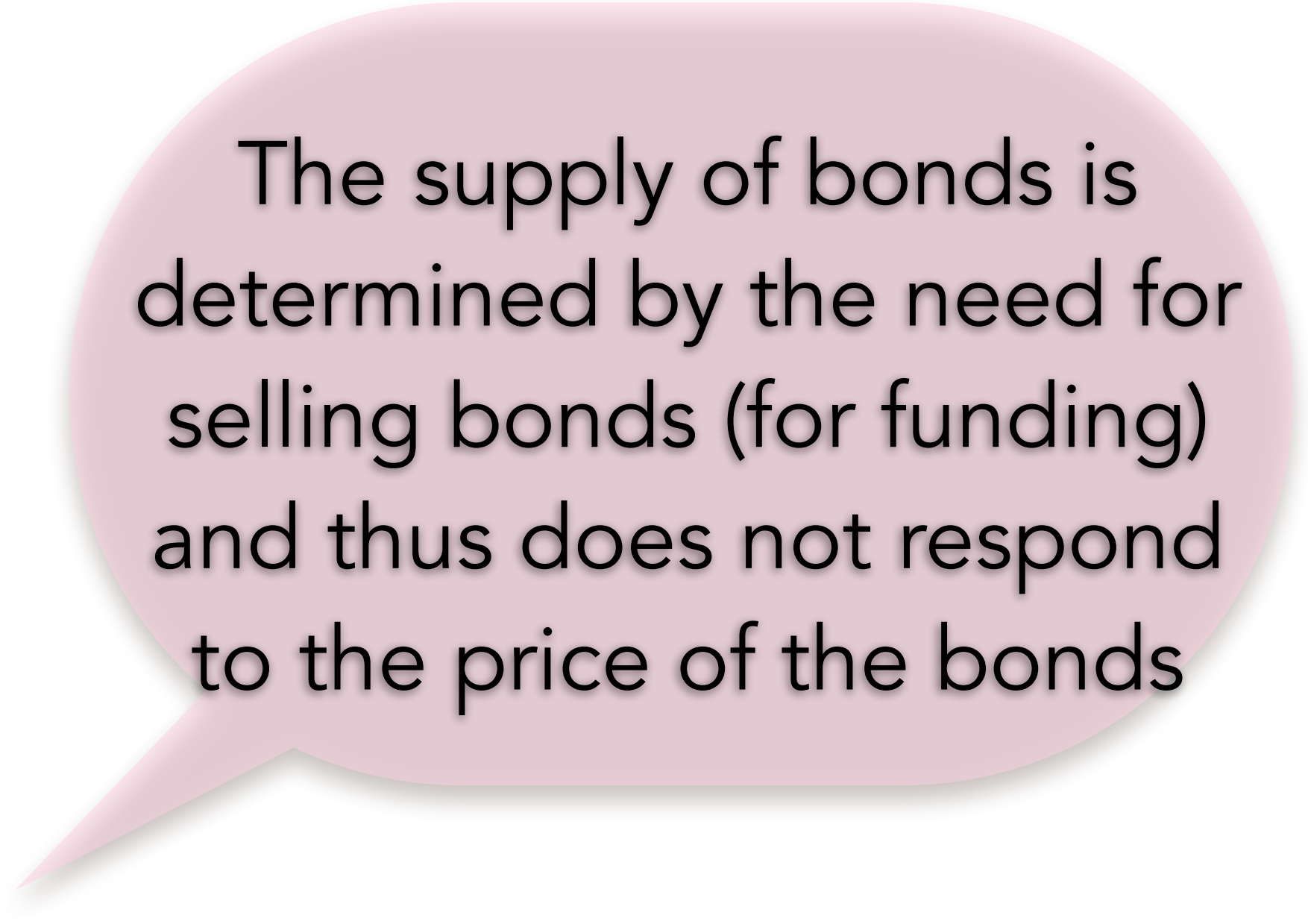




S



The Demand for bonds
is **low** when **price** of
bonds is **high** and **high**
when the **price is low**



The supply of bonds is determined by the need for selling bonds (for funding) and thus does not respond to the price of the bonds



Low price/
High yield

A pink speech bubble with a tail pointing towards the bottom right corner. Inside the bubble, the text "High price/ Low yield" is written in a black, sans-serif font, centered and split across two lines.

High price/
Low yield

Demand for bonds **increase** when the
yield on bonds **rise** and decrease
when the **yield** falls

The Bond Market

