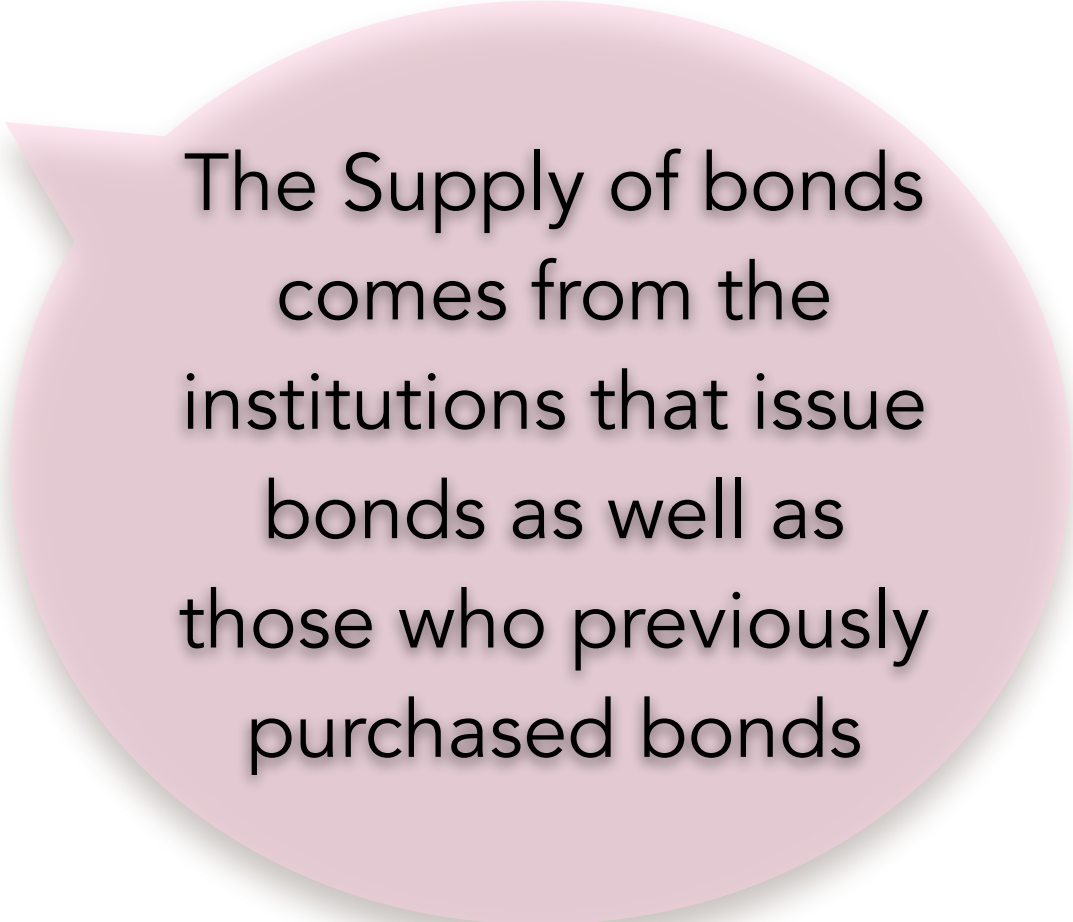
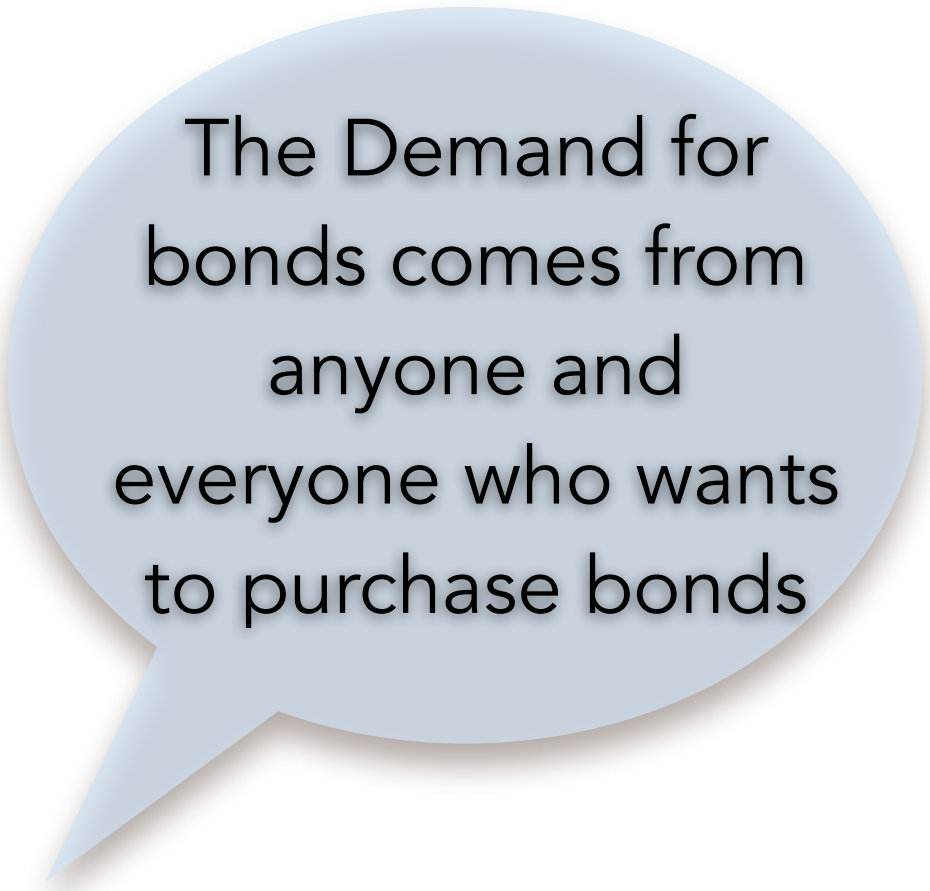


Demand for bonds



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 and  
everyone who wants  
to purchase bonds

# The Bond Market

Quantity  
of Bonds

# Supply of bonds

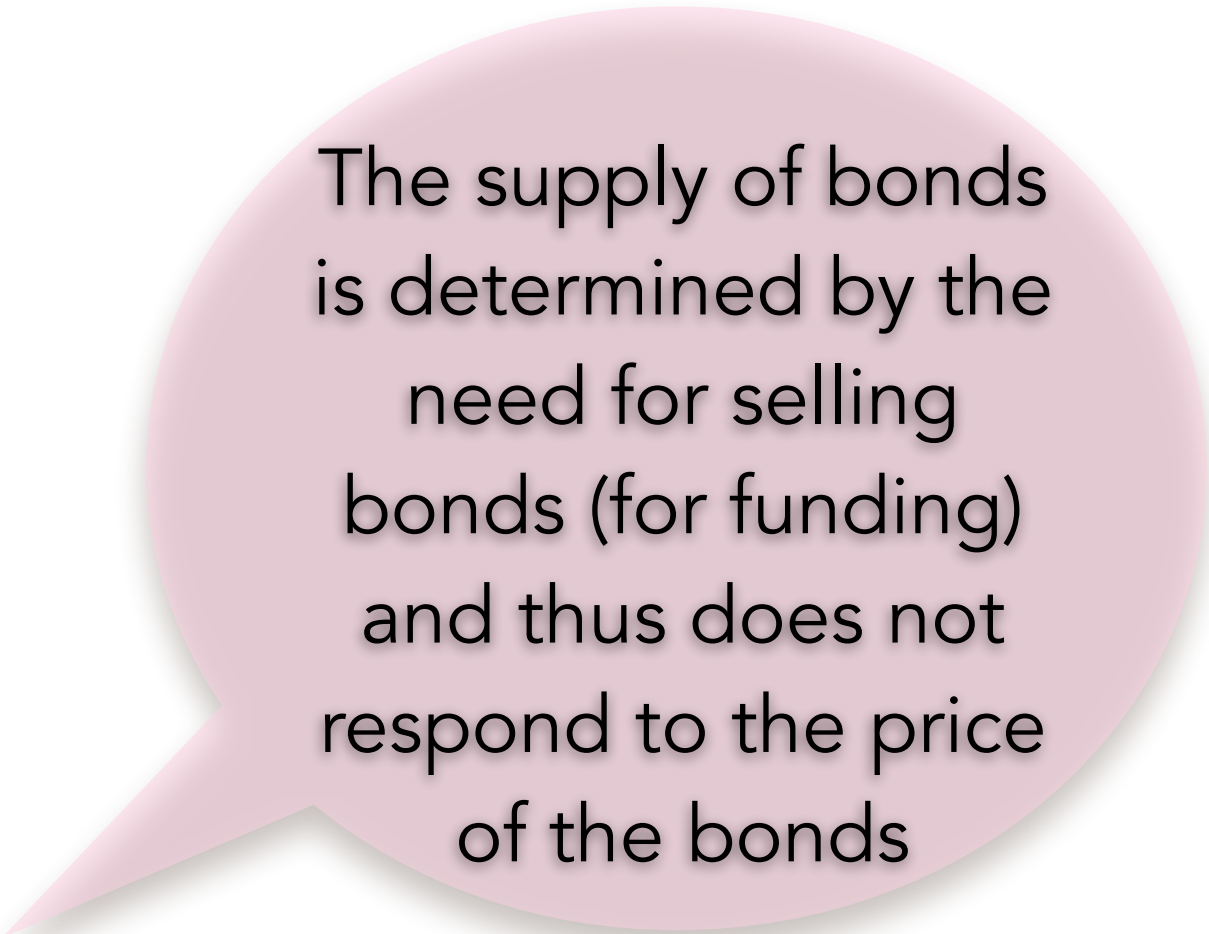




# Bond Price



# Bond Price



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

Fixed  
Quantity  
Supplied  
of Bonds


$P_0$



$D = 500$

# Bond Price





The Demand for  
bonds **increase**  
when **price** of bonds  
**drops** and **decrease**  
when the **price rises**

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

$P_1$



$D = 900$

# The Bond Market

