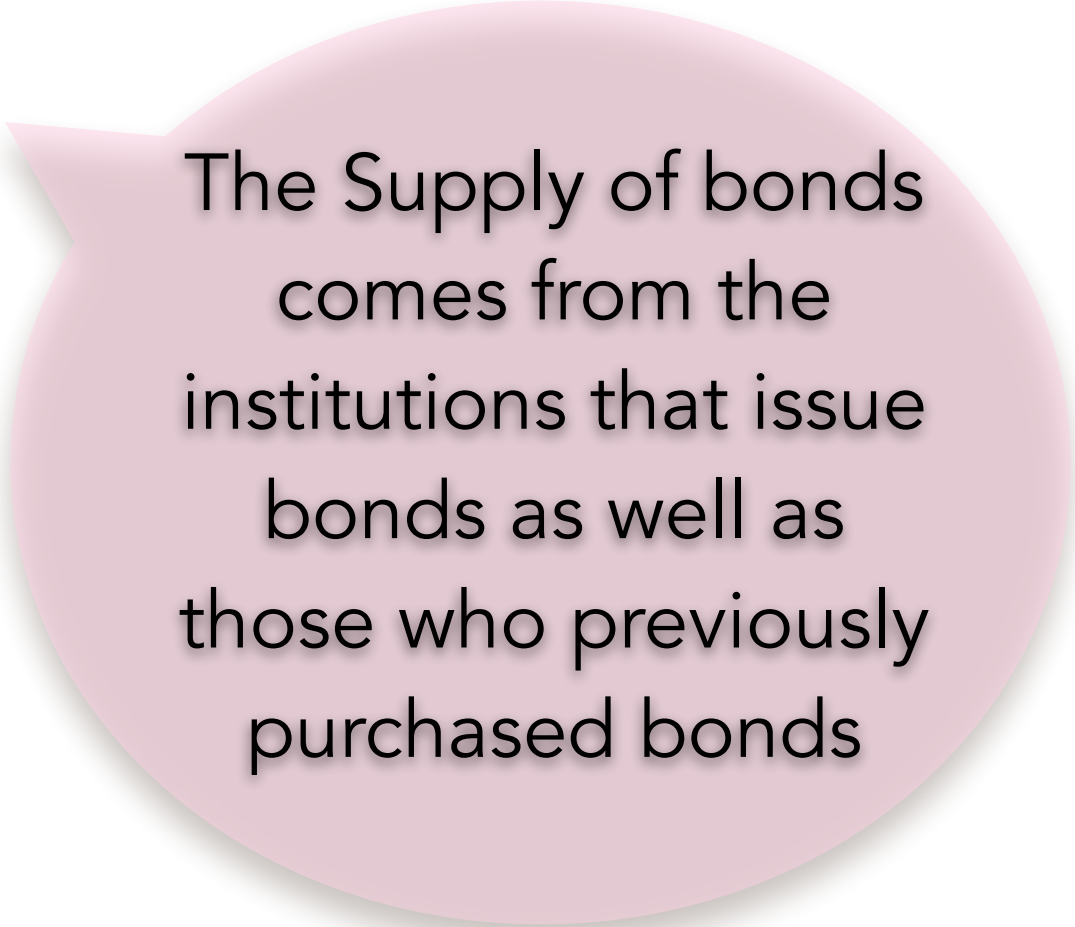
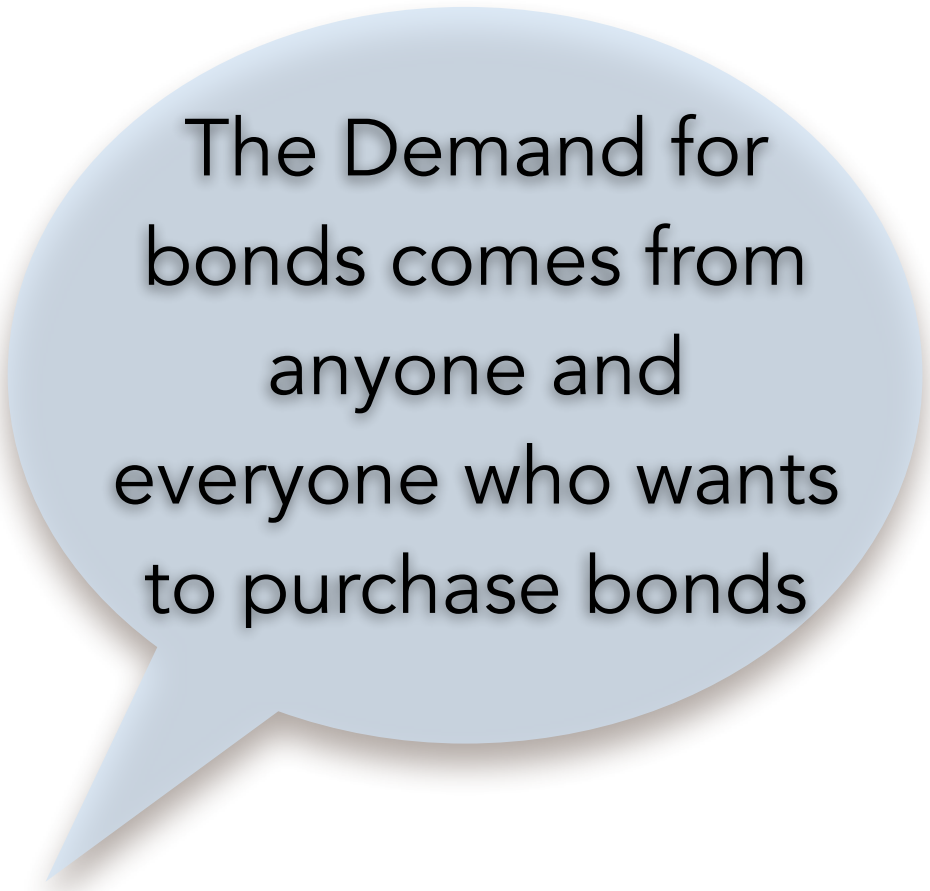


Demand for bonds



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

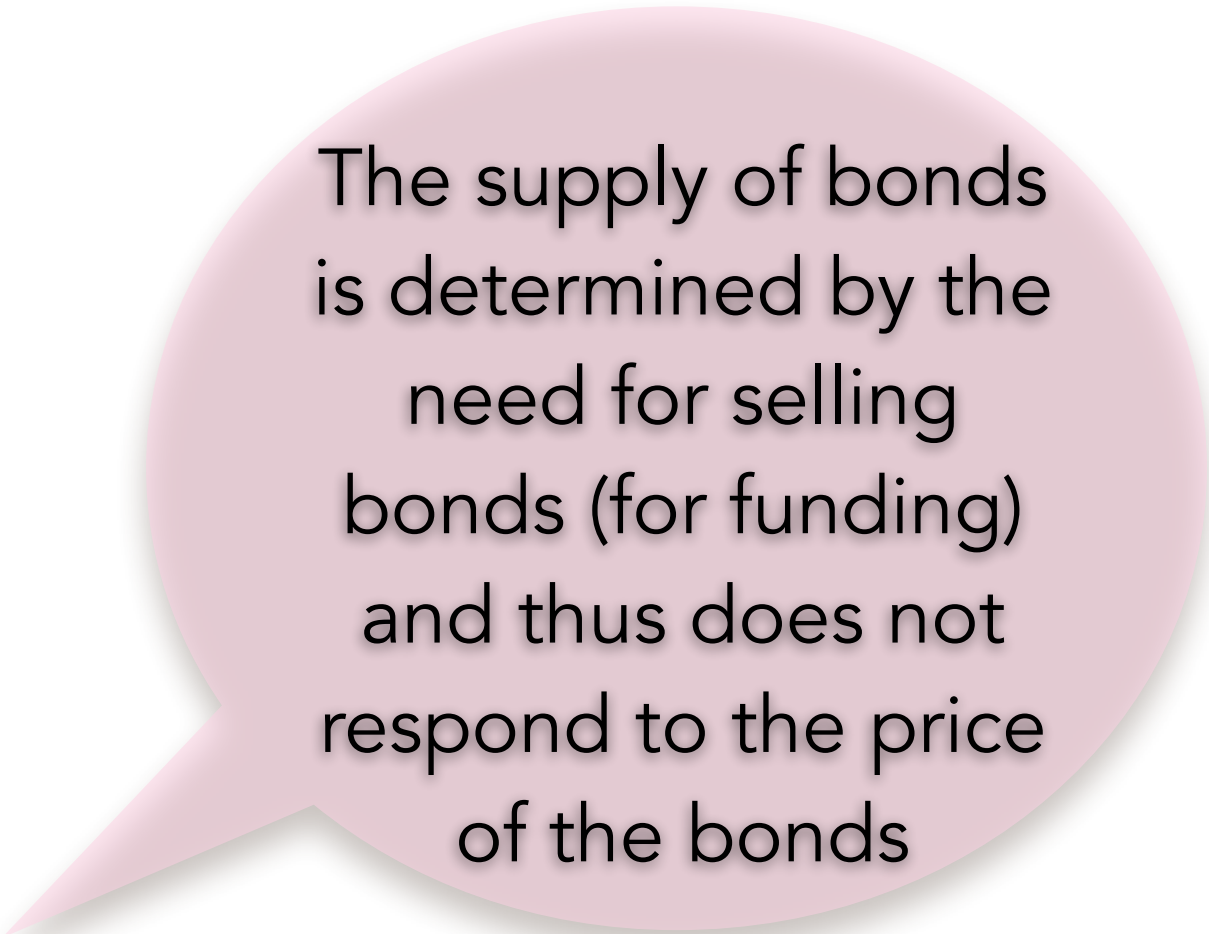
Supply of bonds



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

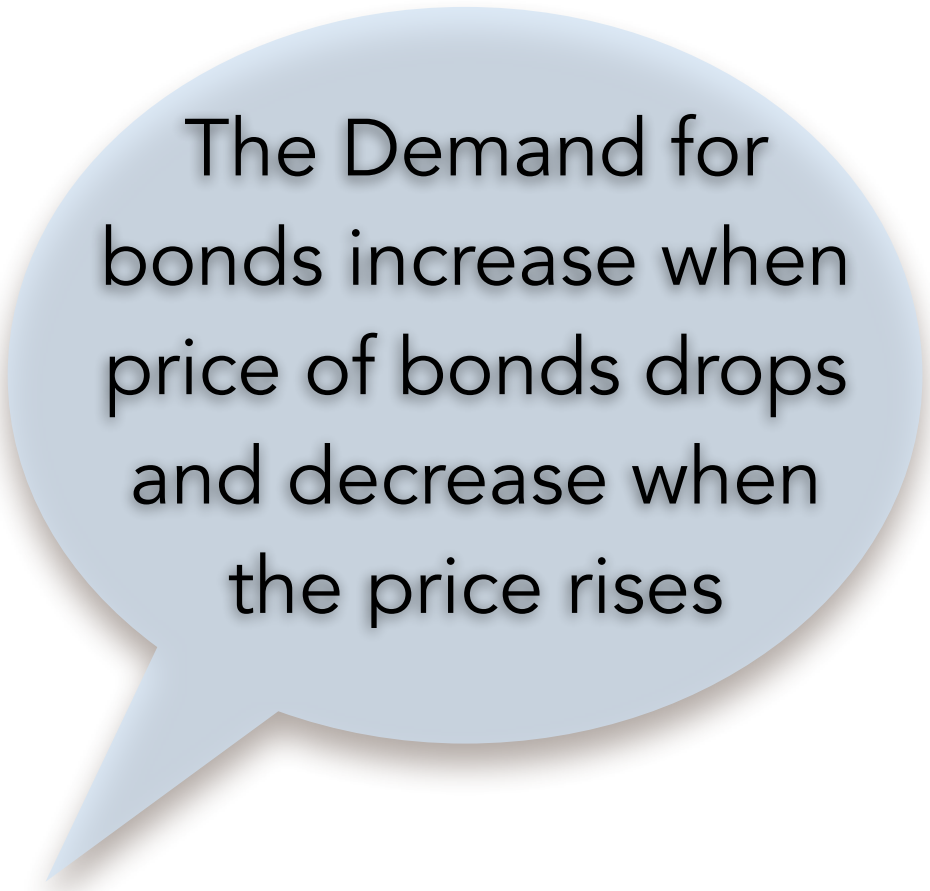
P_0



$D = 500$

Bond Price





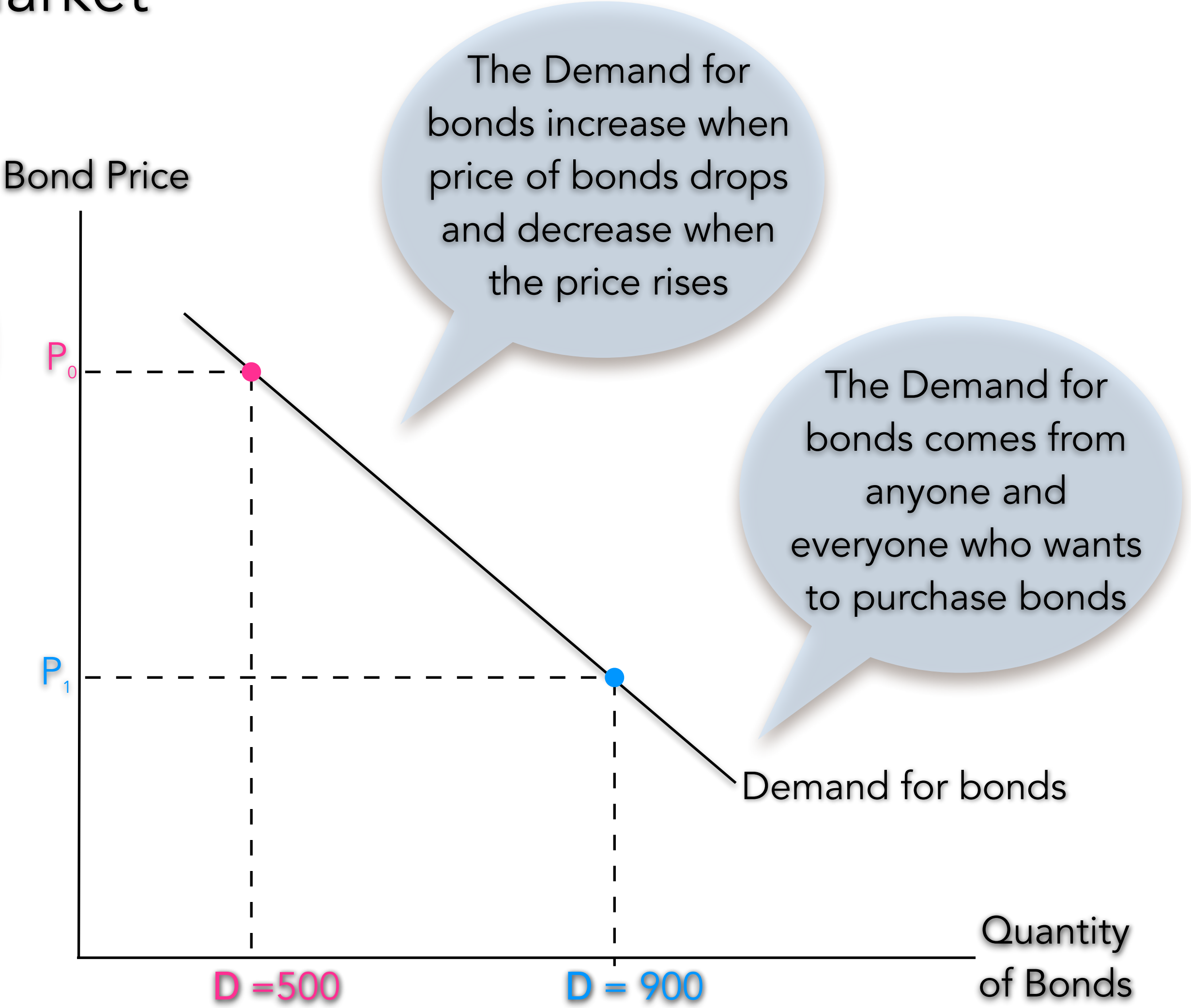
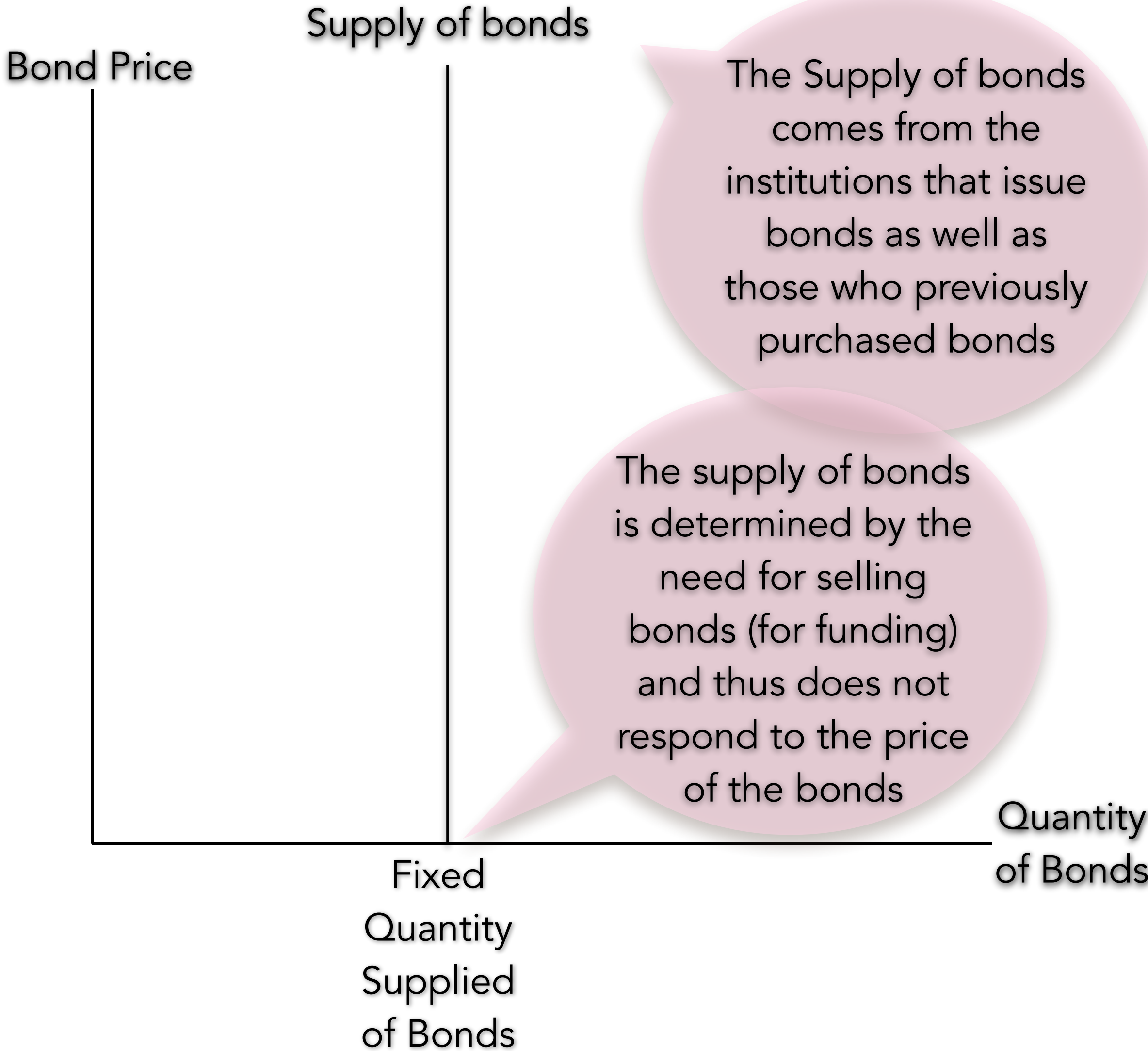
The Demand for
bonds increase when
price of bonds drops
and decrease when
the price rises

P_1



$D = 900$

The Bond Market



**TREASURY BOND
OF 2002-2007**

Dated February 15, 1977
Due February 15, 2007

CUSIP 912810 BX 5

Redeemable on call on and after
February 15, 2002
CIRCULAR No. 4-77



7461A

5 341 4 **THE UNITED STATES OF AMERICA**

FOR VALUE RECEIVED PROMISES TO PAY TO THE BEARER THE SUM OF

ONE THOUSAND DOLLARS

ON THE DUE DATE, AND TO PAY INTEREST ON THE PRINCIPAL SUM FROM THE DATE HEREOF, AT THE RATE SPECIFIED HEREON. THIS BOND AND INTEREST COUPONS ARE PAYABLE AT THE DEPARTMENT OF THE TREASURY, WASHINGTON, D.C., OR AT ANY FEDERAL RESERVE BANK OR BRANCH. THIS BOND IS ONE OF A SERIES OF BONDS, AUTHORIZED BY THE SECOND LIBERTY BOND ACT, AS AMENDED, ISSUED PURSUANT TO THE DEPARTMENT OF THE TREASURY CIRCULAR REFERRED TO HEREON. ALL OR ANY OF THE BONDS OF THIS SERIES MAY BE REDEEMED, AT THE OPTION OF THE UNITED STATES, ON AND AFTER FEBRUARY 15, 2002, AT PAR AND ACCRUED INTEREST, ON ANY INTEREST DAY OR DATE, ON FIVE MONTHS' NOTICE OF REDEMPTION GIVEN IN SUCH MANNER AS THE SECRETARY OF THE TREASURY SHALL PRESCRIBE. IN CASE OF PARTIAL REDEMPTION THE BONDS TO BE REDEEMED WILL BE DETERMINED BY SUCH METHOD AS MAY BE PRESCRIBED BY THE SECRETARY OF THE TREASURY. FROM THE DATE OF REDEMPTION DESIGNATED IN ANY SUCH NOTICE, INTEREST ON THE BONDS CALLED FOR REDEMPTION SHALL CEASE. THE INCOME DERIVED FROM THIS BOND IS SUBJECT TO ALL TAXES IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1984. THIS BOND IS SUBJECT TO ESTATE, INHERITANCE, GIFT OR OTHER EXCISE TAXES, WHETHER FEDERAL OR STATE, BUT IS EXEMPT FROM ALL TAXATION NOW OR HEREAFTER IMPOSED ON THE PRINCIPAL OR INTEREST HEREOF BY ANY STATE, OR ANY OF THE POSSESSIONS OF THE UNITED STATES, OR BY ANY LOCAL TAXING AUTHORITY. THIS BOND IS ACCEPTABLE TO SECURE DEPOSITS OF PUBLIC MONIES. IT IS NOT ACCEPTABLE IN PAYMENT OF TAXES.

WASHINGTON, D. C., FEBRUARY 15, 1977.

William E. Fisher
SECRETARY OF THE TREASURY

1000

ONE THOUSAND DOLLARS

1000