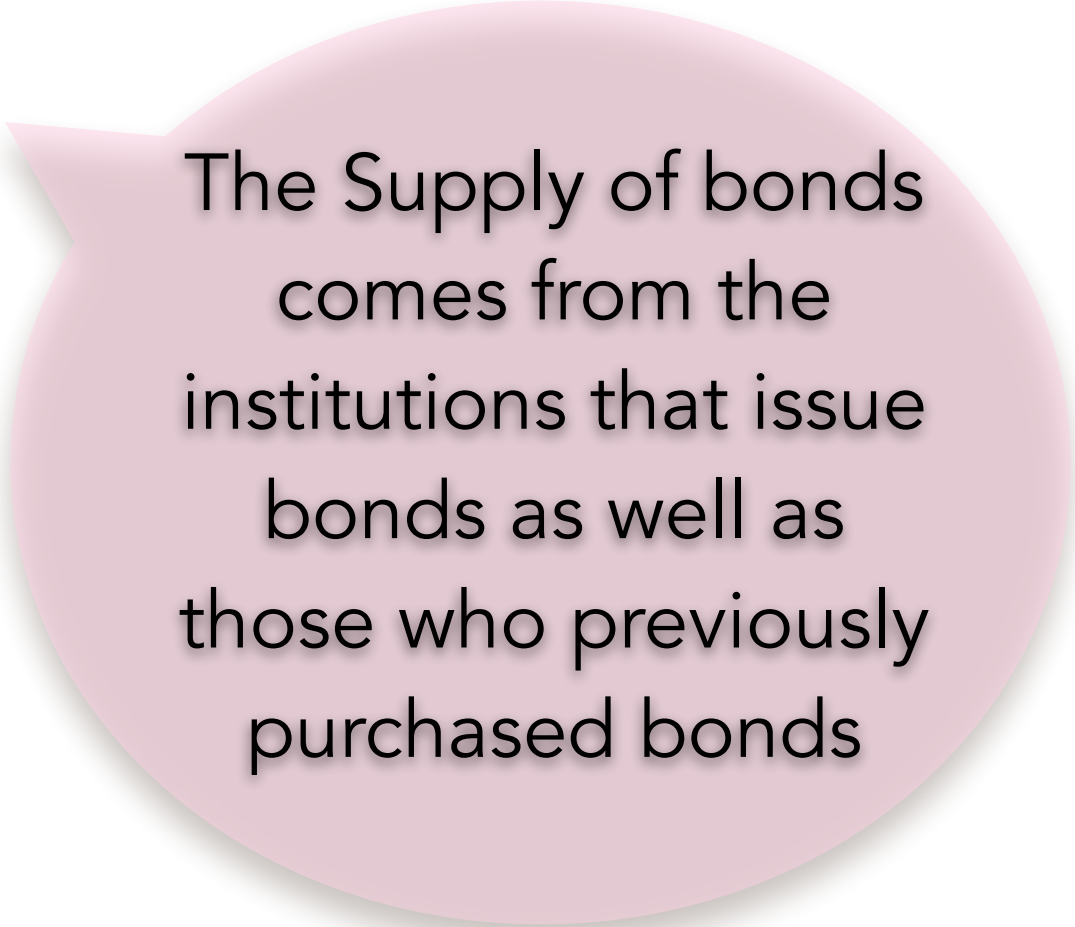
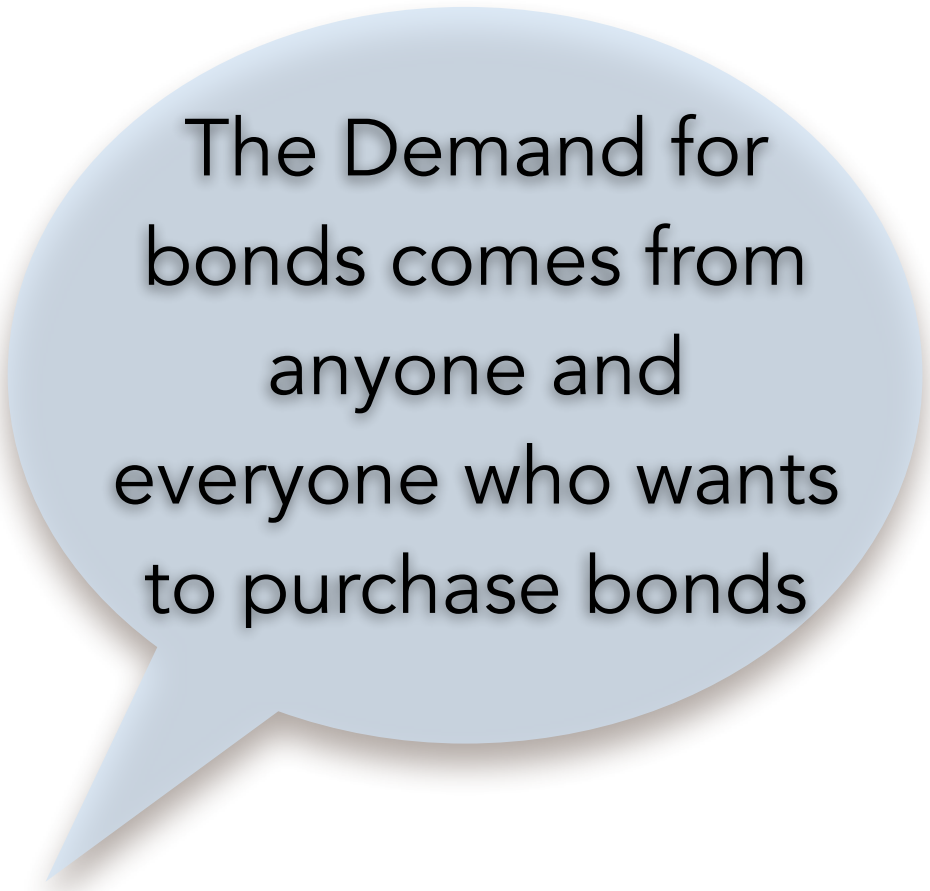


Demand for bonds



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

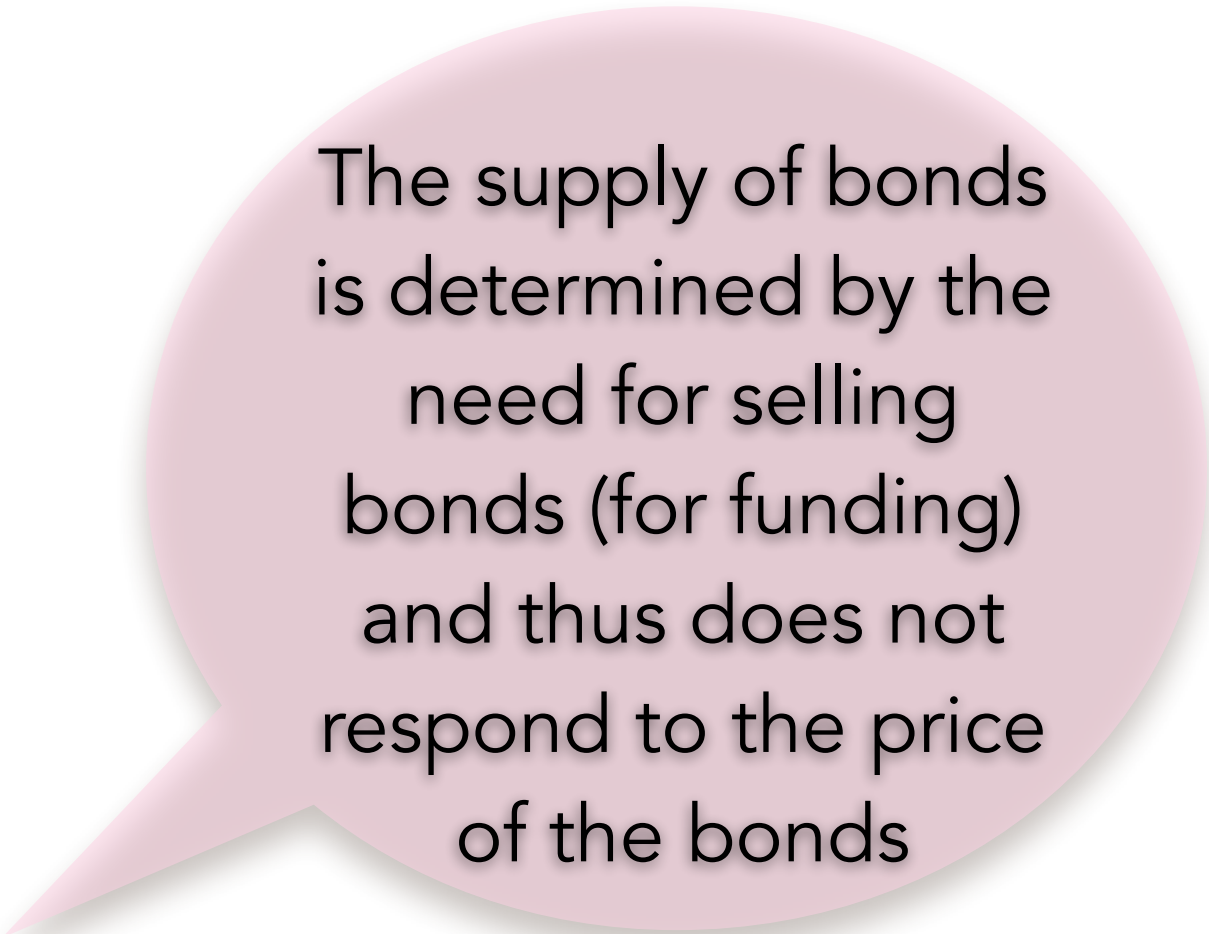




# Bond Price



# 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

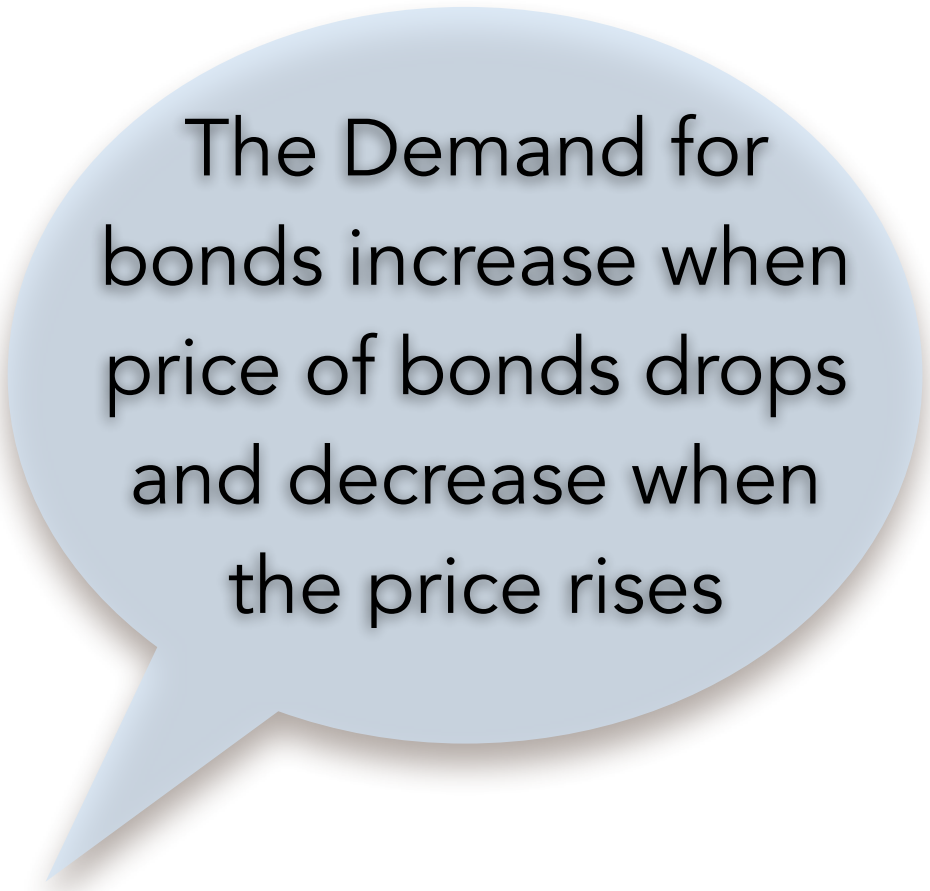
$P_0$



$D = 500$

# Bond Price





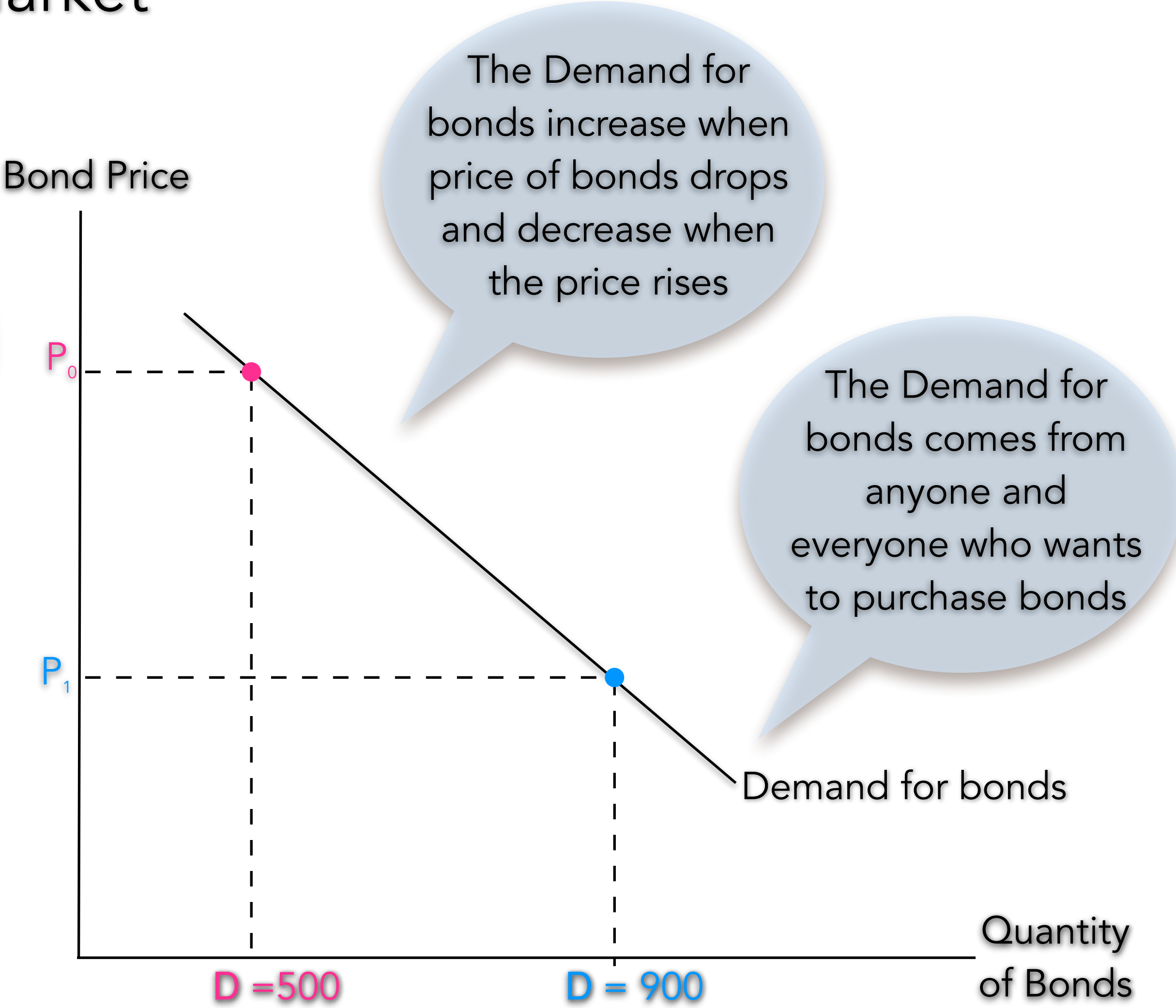
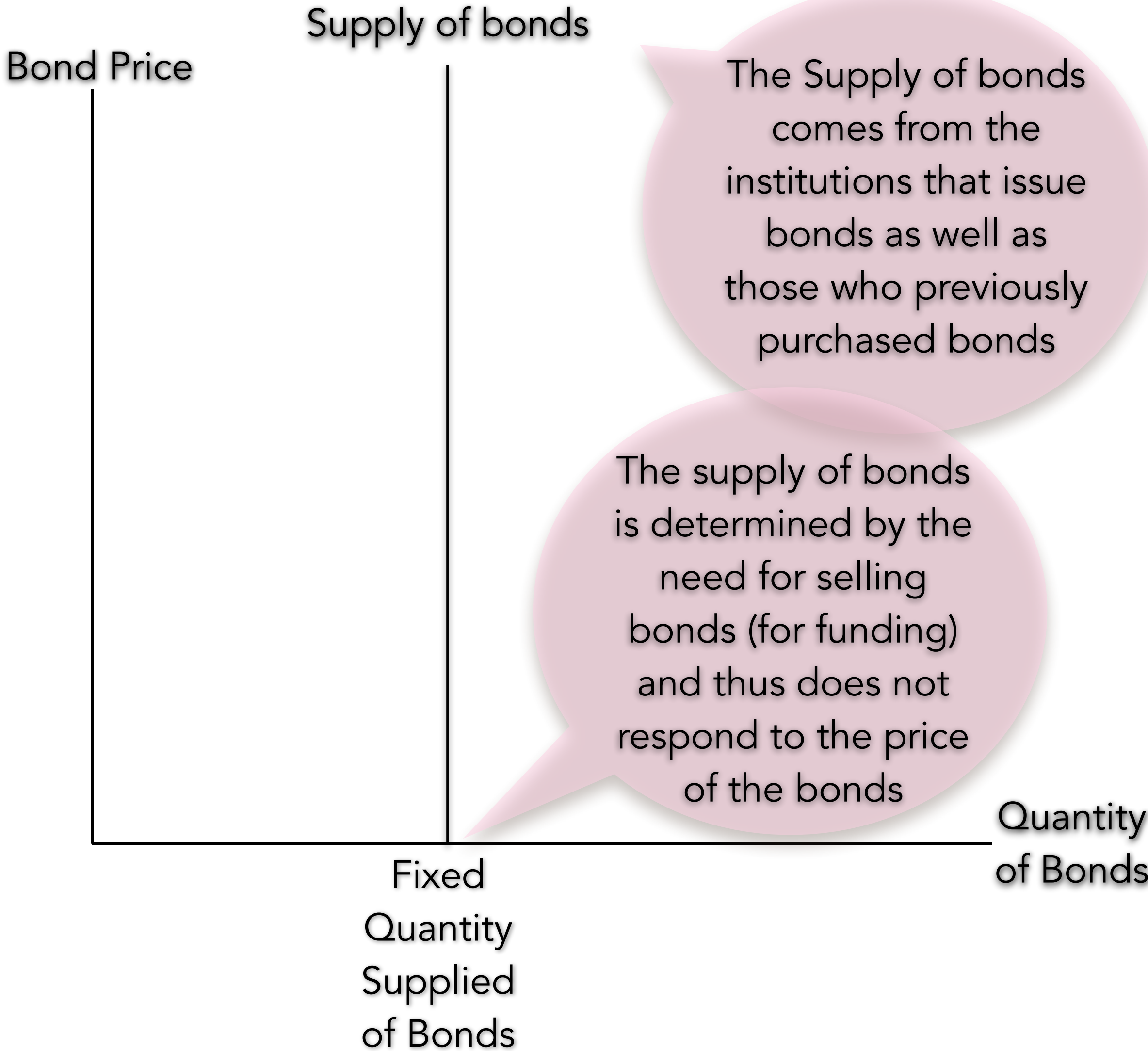
The Demand for  
bonds increase when  
price of bonds drops  
and decrease when  
the price rises

$P_1$



$D = 900$

# 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**