

Quantity
of Bonds

So



Bond Price



The effect of a **sale** of bonds by the Fed on
the Bond Market

Feeds **se** **is** Bonds



Increases the amount of
bonds available for sale in
the Open Market



The Supply of bonds
increase



A rightward shift in the
Supply of bonds

Assume the Bond Market
starts at equilibrium



P_e ————— ●

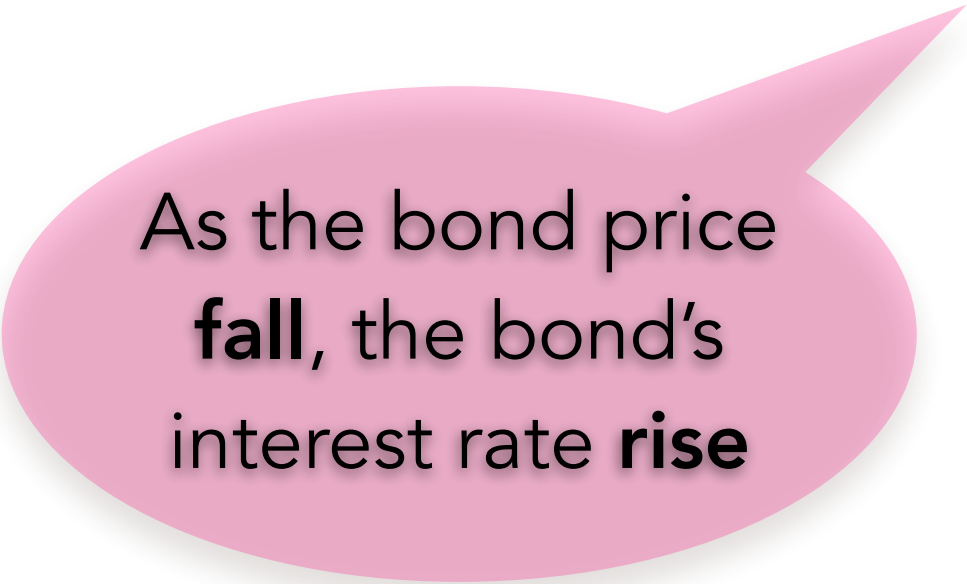
Q_0^b

S_1

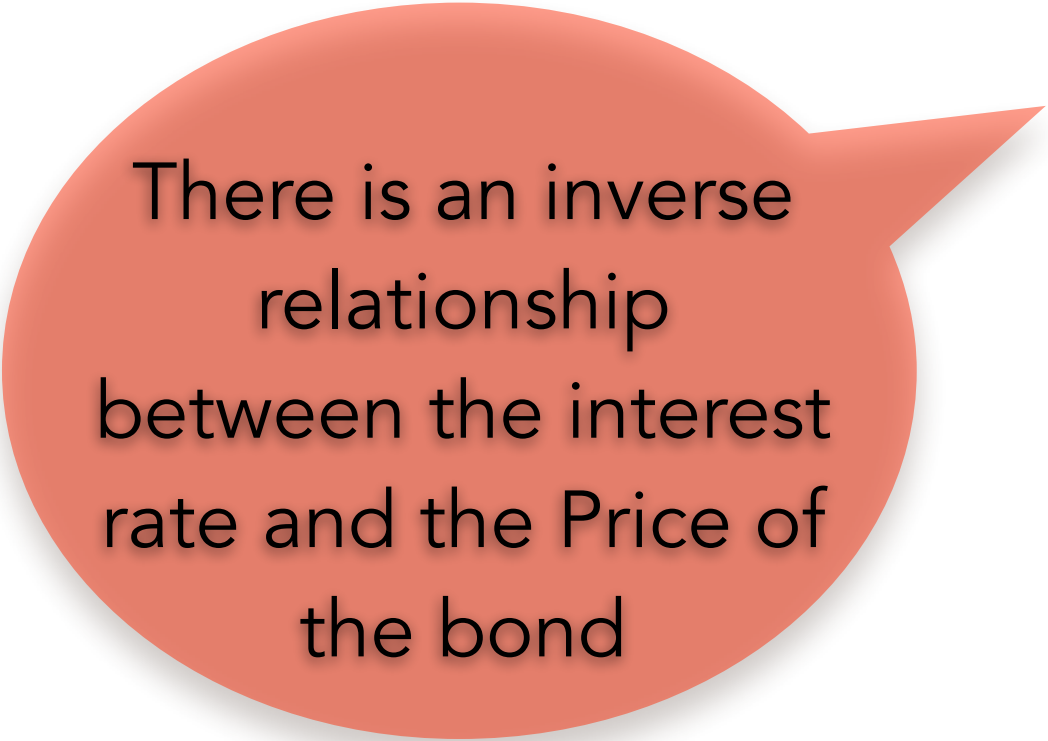


The bond price fall to a
new equilibrium

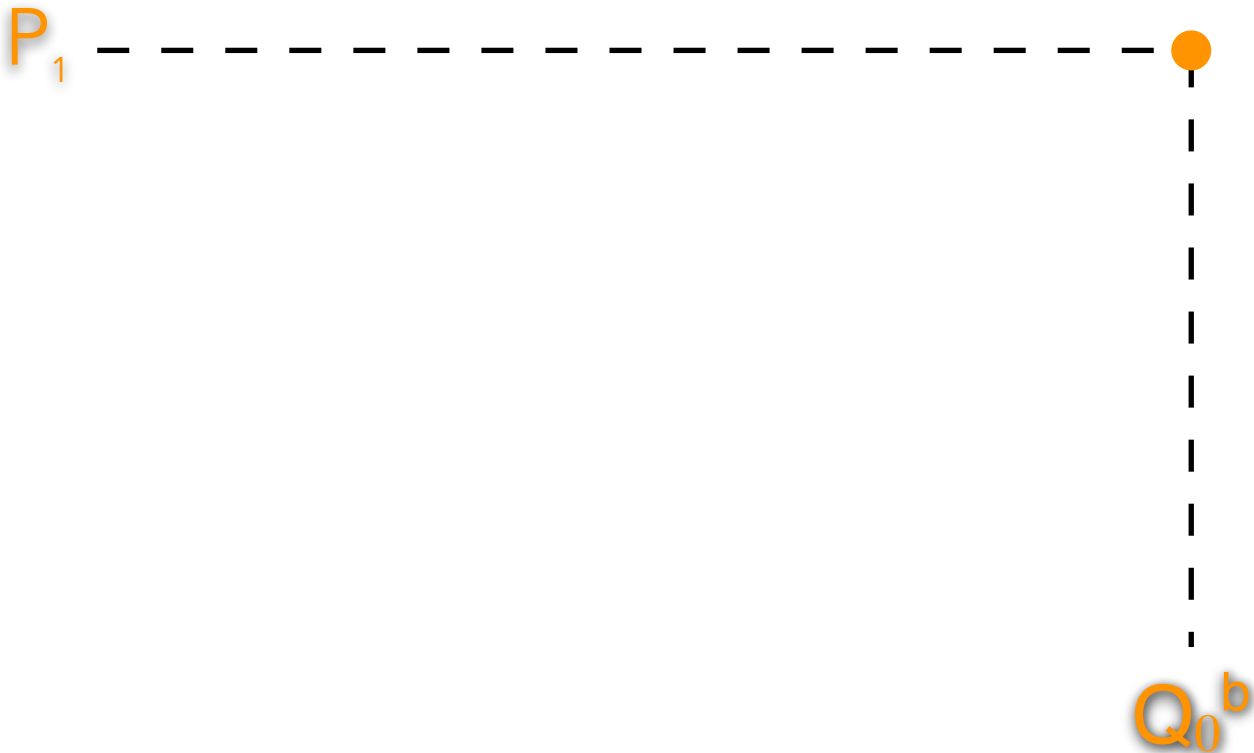


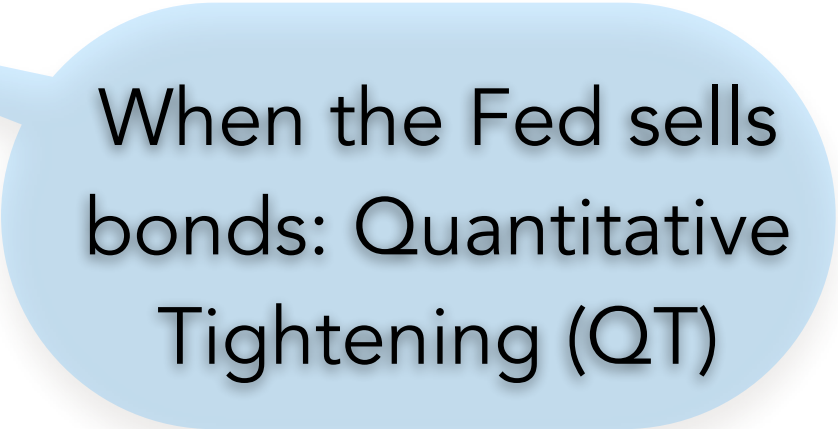
A pink speech bubble with a tail pointing towards the top right corner of the image. The bubble has a soft shadow underneath it.

As the bond price
fall, the bond's
interest rate **rise**



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





When the Fed sells
bonds: Quantitative
Tightening (QT)

The effect of a **sale** of bonds by the Fed on the Bond Market

When the Fed sells bonds: Quantitative Tightening (QT)

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

Fed **sells** Bonds



Increases the amount of bonds available for sale in the Open Market



The Supply of bonds increase

The bond price **fall** to a new equilibrium



As the bond price **fall**, the bond's interest rate **rise**

