

AFS and HTM – If you’re following the SVB debacle closely, you’ve most likely heard two acronyms: AFS, Assets for Sale, and HTM, Hold to Maturity. In general, this is how banks and other organizations value assets on their financial statements. AFS will reflect the current market value, and HTM are priced at the value at maturity, typically par value. Bond prices and interest rates have an inverse relationship and the recent dramatic rise in rates has impacted even short duration bonds. For companies holding bonds at HTM, the accounting does not reflect the current market value and if, as in the case of SVB, those assets must be liquidated to meet redemption requests, it has a significant impact on financial viability. The Federal Reserve has created a new Bank Term Funding Program (BTFP) which allows banks to borrow funds by pledging collateral (like bonds that are down in value right now but will gain value back at maturity if not sooner) to meet withdrawals. This solution provides liquidity to consumers while reducing the need for banks to have to sell those bond investments at a loss to meet withdrawal requests. In general, the Fed is absorbing the duration risk for the banks. As an individual investor, bond holdings should all be considered HTM barring extraordinary circumstances. The maturity schedule of your bonds should reflect your liquidity needs. If you purchased a 2-year bond 6 months ago, the price on your statement may reflect a loss. It is important to remember that our objective is to hold these securities to maturity (HTM).

If you have any questions or concerns, do not hesitate to contact us.



“The life of a nation is secure only while the nation is honest, truthful, and virtuous.” -Frederick Douglass

“The best ability is availability. When you work with and for the best people in the business and you love what you do, showing up every day is a joy, but more than that, it is a privilege.” -Charlie Cameron

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