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July was a fairly "pivotal" month for the stock and bond markets. As expected, both the Bank of Canada and the U.S. "Fed" raised their overnight rates. In Canada, that moved the Prime rate to over 7% - a level we haven't seen in many, many years.

Given the market's reaction to previous rate increases, one would think that stocks would have "taken it on the chin". But lo-and-behold those rate increases were accompanied by some quite positive news on the inflation front. Coupled with continued solid data on employment, consumer spending and corporate profits and one might think the central banks could just pull this off – a "soft landing" that is. July was a solid month for stocks.

Whether this is the start of the next leg up for stocks (or a head fake) is anyone's guess. As always, a strong case can be made for both scenarios – and I'm not going to wade into the fray.

What I would like to comment on is how much different this investment cycle is from others I've witnessed over the past years. For the first time in decades, inflation was part of the equation – and central banks reacted quickly by hiking rates aggressively.

So, when equity markets went through a big downturn last year, "nervous" investors had somewhere with a great yield to park their money. After all, if Investment A is yielding 5% and Investment B just fell 10%, give me more of A!!

Institutional investors, on the other hand, don't really think like this – and this is what (I believe) drove the big rally in July.

I might be a bit of cynic here, but no institutional investor is going to keep their job very long sitting in cash! Fine to protect capital in the short term, but at some point, they need to pivot to what makes money in the long term.

High short-term rates are not going to last forever. It's important to realize that central bank's monetary policy is currently (purposely) restrictive. At some point in the near future, this will change – and rates will fall. By the time that happens, markets will (likely) have already rallied significantly.

This brings us to "the Great Canadian Cross Over". No, it's not an SUV – it's the point where Canadian investors look at their portfolios and realize that their trailing rate-of-return is now ABOVE what they get on a one-year GIC. And the reaction will be: "Hey, Investment A is 4% and Investment B is 6% - give me more of B!".

Will most individual investors "miss" the first big leg-up in the market, the "easy money"? Yup – and that's OK. Because all the cash flowing out of GICs and HDI savings accounts back into the markets should provide another boost to prices. **Final note:** Investors don't necessarily need to pivot to stocks! As I've been saying for many months, longer-term bonds should also do very well in this environment.