

What would a Burnham premiership mean for investors?

23 June 2026

A Burnham-led government would move leftward, but markets are waiting for more details before reacting. We advise clients to stick to existing paths.

Andy Burnham has resoundingly won the Makerfield by-election and now looks almost certain to be the next prime minister, following Keir Starmer's Monday resignation as prime minister, and the decision by Wes Streeting, Burnham's main rival, to back him.

There seems little doubt that Burnham will take the party's policies further to the left.

That said, Burnham has, in fact, already been reined in, following comments that he would "not be in hock" to the bond market. We're confident he'll understand the need to remain fiscally prudent. Especially given the fate of Liz Truss and Kwasi Kwarteng, who were ousted as premier and Chancellor of the Exchequer after the bond market lost confidence in their willingness to be so. Whoever wins will inherit a difficult situation with limited, if any, room for expansive policies.

This was reinforced by public finance data published on the day of the Makerfield result, which showed a larger-than-projected deficit for May. Reports that Burnham has added former Bank of England Chief Economist Andy Haldane to his team of advisers will also help shore up his credibility.

Market reaction to Burnham win

That said, the initial market impact of the Makerfield result, as reflected in the UK government bond (gilt) and sterling markets, was relatively muted. Why?

First of all, it didn't come as a great surprise. Local polls had put Burnham ahead, though they had not predicted the landslide: Burnham won 54.8% of the vote, compared with only 34.5% for the Reform candidate.

Second, investors may have been somewhat relieved by the extent of Burnham's victory over Reform. The 'devil you know' might be preferable for many to the untested and sometimes controversial right-wing alternative. Reform leader Nigel Farage has actually pledged to balance the government's budget, but economists are highly sceptical that he could achieve this. Meanwhile, the candidate for the Green Party, which is also eyed with

Quick take:

- A government led by Andy Burnham would be less centrist than Keir Starmer's.
- But he has already reined in his comments, mindful of the power of the UK government bond market.
- Markets were relaxed at his by-election victory – and possibly relieved at the strong victory over Reform, whose fiscal approach, were it to enter government, is still unclear.

suspicion by market participants, lost her deposit in Makerfield (as, to be fair, did the Conservative and Liberal Democrat candidates too).

Third, the Conservative victory in a by-election on the same day in Aberdeen South might also indicate some stopping of the rot for the party that, despite its past woes, remains Mr Market's preferred option. Admittedly, this was an election fought largely on the local issue of the future of the oil and gas industry, but it was also the Tories' first by-election win north of the border since 1973.

The picture for gilts

Gilt yields have been rising this year, but so have yields in other countries. 10-year gilt yields have climbed from 4.47% at the beginning of the year to 4.80%. That shift largely reflects the inflationary effects of the war in Iran and a major reassessment of the outlook for the Bank of England's monetary policy. Gilt markets had priced in expectations of two quarter-point cuts at the turn of the year. But in an about-turn, at least one increase is now priced in. In a similar fashion, 10-year US treasury bond yields rose during the week of the by-elections from 4.16% to 4.45%. Gilt yields were higher in the wake of the Makerfield result, but generally in line with yields across Europe.

Sterling performance

The pound hasn't been greatly affected by the results. Having fallen quite sharply against the dollar in the days before the by-election, largely because of a generally stronger dollar, it was actually up a little on results day. On a trade-weighted basis, the greenback has reached its highest level in more than a year, since the big fall it suffered after US President Donald Trump's April 2025 announcement of the 'liberation day' tariffs. That renewed strength has been driven by a combination of continuing demand for US technology shares (with Elon Musk's company, SpaceX, the latest money-magnet) and the hawkish tone adopted by the new Chair of the Federal Reserve, Kevin Warsh.

On the day of the by-elections, the Bank of England's Monetary Policy Committee announced it was leaving its base rate unchanged at 3.75%.

Reading between the lines, however, we can see some indications that the committee is sensitive to underlying weakness in the economy. This might give those seeking a rate cut an upper hand in future, especially if the US deal with Iran holds, making it possible for energy prices to subside.

Sterling has been more resilient against the euro, falling in the days before the by-elections, but rising slightly on results day. It remains at the upper end of its post-Brexit trade-weighted trading range and continues to show remarkably few signs of stress.

Not playing FTSE

The UK's FTSE 100 stock market index underperformed other global indices in by-elections week, but that's largely down to its composition. We normally expect it to do better when the pound falls versus the dollar because so much of the profit of FTSE 100 companies is made in dollars. But in the week of the by-elections, it was held back by two things. One is its lack of exposure to the technology industry. The other is the downward pressure on the oil majors Shell and BP in the light of the US-Iran deal, which has lowered oil prices.

With so many other fish to fry, it may well be that global investors will only express their opinions more firmly when there's more clarity about the shape of the next government. Of great importance is the potential chancellors under Burnham. We've included some of their musings and actions in the boxes below – as well some more information about Burnham himself.

This behaviour isn't surprising. Global issues could easily overwhelm domestic politics in the interim. Moreover, many financial bets will be taken through options markets – and options are instruments that have a finite life. That makes it difficult to position now for an event with an unknown date. Considering all this, we expect more market action once a contest is announced.

Stick to the path

In the meantime, we advise clients to stick to existing paths, for their savings and investments. There will no doubt be more speculation ahead about a potential increase in the rate of capital gains tax, as well as the usual uncertainty about rules affecting pensions. But we would prefer to see more evidence of policy change first – clients have made costly mistakes by taking unnecessary pre-emptive action in the past.

A new prime minister will face the same fiscal and macroeconomic challenges posed by an ageing population. For more on this, please see [‘The world is growing older’](#).

To see our prescription for growing the economy faster, providing a long-term boost to the Treasury's tax revenue, please see [‘Building prosperity’](#).

For more on contenders for premier, Chancellor, and other senior roles, and a chart showing how UK markets have in the past reacted to political change, please see overleaf.

UK markets are often resilient, during political change

But the Brexit vote and Truss premiership were notable exceptions

10-year gilts Dollars per pound



Source: Factset, Rathbones

Andy Burnham

Newly elected MP for Macclesfield

- Has complained that Britain is “in hock to the bond markets”, suggesting that he doesn’t want gilt investors to limit the government’s freedom to borrow and spend. This calls to mind the language of Labour left-wingers in the lead-up to the Labour government’s 1976 sterling crisis, prompted largely by the high fiscal deficit.
- Wants the government to take social housing and public transport back into public ownership, with more control over energy and water as well. This would increase government spending.
- But Burnham has said he doesn’t want to upset bond investors with these plans, and has advocated “business-friendly socialism”.
- Is looking at equalising capital gains tax with income tax but hasn’t openly backed it. Has said he would abolish inheritance tax.

Wes Streeting

Health Secretary (until May)

- A good communicator who sits on the right wing – in Labour-speak, the ‘centrist’ faction – of the party, but has recently courted the left with his policy suggestions.
- Has said the UK should eventually rejoin the EU. This would be good for economic growth in some ways by making trade easier. But critics say it would put paid to the idea of turning the UK into a light-regulation, high-growth ‘Singapore-on-Thames’.
- While he was still campaigning to be Labour leader, he pledged to equalise capital gains tax rates with income tax and talked of introducing a wealth tax.

Ed Miliband

Secretary for Energy Security and Net Zero

- Economically highly literate, with a Master's in the subject.
- A net zero evangelist, who wants to accelerate the rise in renewables capacity and run down North Sea oil production. This could hit economic growth in the short term, largely by increasing energy costs. But it could make the UK's energy supply less vulnerable to geopolitical shocks, such as future Middle Eastern wars. It would also boost the UK's renewables industry.
- Has argued that extra government borrowing to increase defence spending should be excluded from the government's fiscal rules. This would displease investors in gilts. For more on the pressures to increase defence spending – and the implications for the sector – see [‘In defence of growing returns’](#).

Pat McFadden

Work and Pensions Secretary

- The softly spoken centrist minister attracted controversy but burnished his credentials as a tough customer on government spending after the publication of a June message in which he complained about Labour backbenchers: “Every meeting I have is ‘who can we tax in order to pay benefits to others?’”.
- Despite the failure of his predecessor to push through reforms to limit the Treasury's bill for incapacity and health-related benefits, he is considering what he calls “radical” options to get more people on benefits back to work.
- Has pleased free market economists and employers with his plans for a gradualist approach to Labour's manifesto pledge to raise the youth minimum wage to the adult rate.

Yvette Cooper

Foreign Secretary

- A centrist with an intellectual rather than firebrand style, Cooper had a mixed record as Home Secretary in translating policy into actual achievement – something for which recent UK governments have attracted criticism. She was removed in 2025 for presiding over a rise in the number of illegal immigrants arriving in small boats and failing to make much progress in ending the use of hotels to house migrants.
- But Cooper did score successes, including reducing the backlog of asylum applications waiting to be reviewed by the government. She was then handed another senior job, leading the Foreign Office.
- Cooper, who has a Master's in Economics, served in the Blair and Brown governments, including roles as Chief Secretary to the Treasury and Work and Pensions Secretary. In the latter role, she pushed through Parliament benefit sanctions to force the unemployed to seek work.

Shabana Mahmood

Home Secretary

- Is seen as on the right of the party and a fiscal hawk, keen to limit government spending.
- For example, she's talked of a "broken welfare system" that's "bad for the taxpayer".
- As the minister responsible for immigration, she's also argued that delaying the settlement of recent low-skilled migrants would save billions of pounds.

Additional information

If you no longer wish to receive this publication, please call 020 7399 0000 or speak to your regular Rathbones contact.

Rathbones, Greenbank and Rathbones Financial Planning are a trading names of Rathbones Investment Management Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered office: Port of Liverpool Building, Pier Head, Liverpool L3 1NW. Registered in England No. 01448919.

Rathbones Investment Management International Limited is the registered business name of Rathbones Investment Management International which is regulated by the Jersey Financial Services Commission and is licensed by the Guernsey Financial Services Commission. Registered office: IFC1 Esplanade, St. Helier, Jersey, JE1 2RB. Company Registration No. 50503. Branch: Level 4, Mill Court, La Charroterie, St Peter Port, GY1 1EJ, Guernsey. License No. 3058882. Rathbones Investment Management International Limited is not authorised or regulated by Financial Conduct Authority or Prudential Regulation Authority in the UK and its services are not covered by UK regulatory protections.

Copyright ©2026 Rathbones Group Plc. All rights reserved. No part of this document may be reproduced in whole or in part without express prior permission.

Contact us:

If you're looking to join Rathbones, our new enquiries team can be reached at 0330 390 9191 on weekdays from 9am to 5pm.

If you're a client, please contact your local office or call 020 7399 0000. Office details can be found on rathbones.com

For specialist ethical, sustainable and impact investment services:

Greenbank

0117 930 3000

enquiries@greenbankinvestments.com

greenbankinvestments.com

For offshore investment management services:

Rathbones Investment Management International

01534 740 500

rathboneimi.com

 @rathbonesgroup

 Rathbones Group Plc

 @RathbonesPlc