PREVIEW: UK Makerfield by-election on Thursday, the 18th of June 2026. Results due in the early hours of Friday, the 19th of June.

In brief, if Andy Burnham wins the by-election and returns as a Labour MP then he is expected to challenge current PM Starmer for the leadership and is likely to win any contest that occurs. For markets, Burnham has been polled by the FT as the least-welcome PM out of the major candidates, according to a survey of Gilt market participants. Burnham has attempted to change the market's view of him; however, his political stance and events such as the last minute cancellation of a bond market meeting are unlikely to have changed the markets narrative. Key to this will be who, if Burnham becomes PM, he appoints as Chancellor. Reports suggest Energy & Net Zero Secretary of State Ed Miliband is the frontrunner, an appointment that would potentially enhance the soft-left assessment of and reaction to a Burnham government.

While considering any reaction, the changing calculus on a global macro level given the US-Iran deal signing must be considered. Stemming from that, the risk of a particularly hawkish June BoE has dissipated. The BoE is, and was before the Iran updates, expected to hold the Bank Rate at 3.75% in June. An outcome that will likely be subject to hawkish dissent, from Huw Pill and potentially Greene and/or Mann. Accompanying guidance will retain optionality and stress that the BoE has the policy space to assess the impact of the conflict, a point made more acute by this week's energy pullback. Furthermore, the by-election and the BoE both occur in the same week as the Fed, a particularly pertinent one as it will be the first under Chair Warsh. Given all of the above, and assuming that the next UK PM is to the left of Starmer, then the bias for UK yields is to a steeper curve. For the 10yr, Pantheon Macroeconomics calculates that political risk is currently adding 12-24bps to the UK’s 10yr yield, and a Burnham premiership would add an additional 7-14bps. Moving to Sterling, the main case for weakness potentially comes via a Burnham loss in Makerfield, as it will speak to the narrative around a rejection of the main political parties and will support calls for Reform to win the next general election (no later than August 2029). Irrespective, GBP also has to factor in all of the above near-term catalysts, and as such participants will wait for those to pass and more details to emerge around, assuming he wins, the policy plans of a Burnham premiership before adjusting significantly.

On Thursday, the 18th of June polls will be open until 22:00BST for voting in the Makerfield by-election. A number of candidates are involved, but the main ones are Burnham for Labour, Rob Kenyon for Reform UK, Rebecca Shepherd for Restore and Sarah Wakefield for the Green Party. An exit poll is not expected. Results should be available in the early morning on Friday, sometime between 02:00BST and 05:00BST.

LOCAL ELECTIONS & POLLING:

Of the wards within Makerfield, eight were contested in the May local elections. Reform UK was victorious in all eighth, with an aggregate vote-weighted support level of 49.8%. Labour, for comparison, was around 27%. Based on this, Reform would go into the by-election as the clear favourite. However, the strength of Burnham as a candidate means this is not an accurate read on the by-election.

Polling has Burnham for Labour in the lead, though the magnitude of lead has narrowed into the by-election. The gap between Labour and Reform is, to varying degrees depending on the poll, partially explained by the presence of Restore dividing the vote on the political right. For instance, Opinium's poll across the 3rd-11th of June has a Labour lead over Reform of 5ppts with Restore on 7ppts, the gap between Labour and Reform is notable as it is roughly equal to the margin of error for both the pollster and last minute campaign activity. Elsewhere, Convergent (2nd-12th Jun) has Labour on 49ppts, Reform on 37ppts and Restore with 5ppts; Survation (26th May-1st Jun), Labour 49ppts, Reform 39ppts & Restore 8ppts. While we don't know the pollster, the i Paper reported on a poll conducted for the Labour Party between the 4th and 6th of June, which had Labour on 35ppts, Reform 24ppts and Restore with 13ppts. The latter poll has been widely cited as evidence of Restore effectively handing victory to Labour, at the expense of Reform.

OUTCOMES:

If Burnham loses, the outcome is negative for the Labour party in the sense that they lose a Parliamentary seat to, most likely, Reform. However, a Burnham loss would remove the primary challenger to the Labour leadership and potentially set the stage for a contest between the incumbent Starmer, former Health Secretary Wes Streeting and then one or multiple of Angela Rayner, Ed Miliband and Al Carns. Despite the pressure against Starmer already in the Labour party, if Burnham loses the by-election then Starmer is the favourite via prediction markets to continue as PM, followed by Rayner. While there are clear issues around Starmer, the market would likely welcome continuation of the relatively-friendly pair of Starmer and Reeves; though, whether Starmer would want to continue, and for how long the party would let him, remains to be seen despite the current rhetoric for him around contesting any challenge.

If Burnham wins, the outcome is negative for Gilts as he advocates increasing public investment and an expansion of public ownership, points that are potential positives for the domestic stock market and Sterling; however, the near-term outlook will likely be dictated by the reaction in Gilts, with a sell-UK move possible. In recent weeks, Burnham has suggested that he would be open to changes to the UK's fiscal rules. However, pressure in UK assets as his potential path to leadership emerged caused Burnham to commit to the fiscal rules "as they are", commentary that has contributed to UK yields moving off highs. The potential timeline for a formal leadership contest is not clear. Burnham would have backing from the 81 Labour MPs required from day one, and indeed some reports suggest he could announce his intention to challenge on results night. Alternatively, Burnham may not move in the immediacy and instead given Starmer the opportunity to stand aside and effectively, assuming no one else challenges at that point, set the stage for a coronation of Burnham in an orderly fashion in the near-term. Starmer continues to state that he would fight any leadership challenge.

BURNHAM GOVERNMENT:

Irrespective of who Burnham appoints as Chancellor, but potentially to a larger-degree if it is Miliband, the risks of his government are skewed towards more borrowing than currently projected to fund his ambitions as outlined below. Particularly as his, for now at least, commitment to many existing pledges limit his options. Though, any increase in borrowing is likely to be drip-fed by his government to buy time to allow energy prices to normalise from the US-Iran deal and prevent a significant jump in yields. Nonetheless, Pantheon Macroeconomics calculates that political risk is currently adding 12-24bps to the UK's 10yr yield, and a Burnham premiership would add 7-14bps.

Burnham has committed to sticking to the existing Labour fiscal rules as implemented by Chancellor Reeves, however, this could of course be revisited at a later date to allow for more expenditure. Additionally, he has reiterated the Starmer government commitment to not increase income tax, national insurance or VAT. And, he stands by the triple lock for pensions. Note, the FT reported that Burnham has looked into ways within the PSNFL framework of increasing housing investment, and while the starting point may well be within the fiscal rules it increases the odds of headroom reducing to a more concerning level from the March estimate of GBP 23.6bln under the stability rule of c. GBP 26-27bln under PSNFL, a level that is likely lower given yield activity in recent weeks, and by association raises the prospect of further borrowing.

More specifically, Burnham is expected to favour undertaking additional investment and conducting nationalisation, seeking to bring utilities and specifically energy and water into public control. Potentially of note for Severn Trent (SVT LN), National Grid (NG/LN) and others. While not listed, activity around Thames Water is of note after Burnham said "public ownership is absolutely an option.", action that could theoretically cost as much as GBP 100bln. Elsewhere, reports suggest he could cut business rates by as much as 20% for pubs and small businesses, of note for JD Wetherspoon (JDW LN), among others.