

UK's Keir Starmer resigns: Burnham's fast-track to No.10



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Key takeaways:

- 1 Sir Keir Starmer has resigned as Labour leader, setting the stage for the 7th UK prime minister since the Brexit referendum almost exactly a decade ago.¹
- 2 Wes Streeting announced he will back Andy Burnham to succeed Starmer.
- 3 UK gilts yields have fallen, the UK pound is higher, large cap UK equities are slightly higher indicating markets may see this as a reduction in political uncertainty.



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Starmer resignation clears path for Burnham premiership

During the UK morning of 22 June, Sir Keir Starmer announced his resignation as leader of the Labour Party with immediate effect, triggering either a leadership contest or a 'coronation' for his successor. He will continue as prime minister (PM) until his successor is confirmed.²

After consulting Cabinet colleagues over the weekend, Starmer concluded that he no longer has sufficient support to remain prime minister following Andy Burnham's significant victory in last week's Makerfield by-election.

To allow for a contest, nominations will open on 9 July and close on 16 July, with any ballot to be completed by the start of September.²

Streeting stands aside for Burnham coronation

Following Starmer's statement, former Health Secretary Wes Streeting – who had previously insisted he would stand in any leadership contest – announced he would back Andy Burnham.

Given that Streeting was regarded as the only credible alternative candidate potentially capable of standing against Burnham, a formal contest now looks highly unlikely. Consequently, Andy Burnham is expected to be appointed Prime Minister on 17 July.

Streeting's timing, and his reference to recent conversations with Burnham, suggest he may have secured a senior role in a future Burnham Cabinet – potentially Chancellor – in return for his support.

1. Assuming Andy Burnham will become the next PM and includes David Cameron who resigned on 13 July 2016.
2. Source: BBC News: Starmer quits as Labour leader and paves way for contest for new prime minister, 22 June 2026.

Note: BST = British Summer Time (GMT+1).

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What would a Burnham premiership mean for policy and markets?

Burnham and his new Chancellor will inherit a challenging fiscal backdrop. A combination of low growth and rising public spending pressures (not least from welfare and defence) suggests that a third tax-raising Labour budget in the Autumn is highly likely.³

As Manchester Mayor, Burnham’s statements on national policy have pointed to both an expansionary fiscal approach (e.g. taking public control of utilities) and an instinct to ‘rebalance’ taxation in favour of income from employment over assets.⁴

However, in recent weeks, Burnham and his team have been at pains to emphasise his broad commitment to Rachel Reeves’ fiscal rules to try and reassure investors and markets. Nonetheless, we expect a Burnham-led government to prioritise regional devolution and infrastructure investment while increasing capital spending relative to current plans.

We think a first Burnham budget would therefore likely combine three elements: broadly continuity with the existing fiscal framework (with possible adjustments to the debt rule horizon); higher borrowing to finance higher capital investment; and higher taxes to fund pressures on day-to-day spending.

On tax, we expect Burnham to maintain Labour’s manifesto pledge not to raise the main rates of income tax, VAT or National Insurance. Revenue-raising measures are therefore more likely to target business and wealth-related taxes.

How have markets reacted?

Keir Starmer’s formal resignation does not change any of our core views on UK markets. We interpret their immediate reaction as a signal of reduced, not greater political uncertainty.

10-year UK gilt yields rose 8 basis points on Friday following the news that Andy Burnham had won in Makerfield, indicating that the bond market does not view the result as a signal of political uncertainty or fiscal worries. UK gilt yields peaked in mid-May (see chart below).

On the news that Starmer is formally resigning UK gilts have fallen. However, it appears that the news that Wes Streeting will back (rather than contest) Andy Burnham was what caused yields to fall. That lends support to our view that Andy Burnham is the most likely next prime minister, which should help reduce an element of political uncertainty.

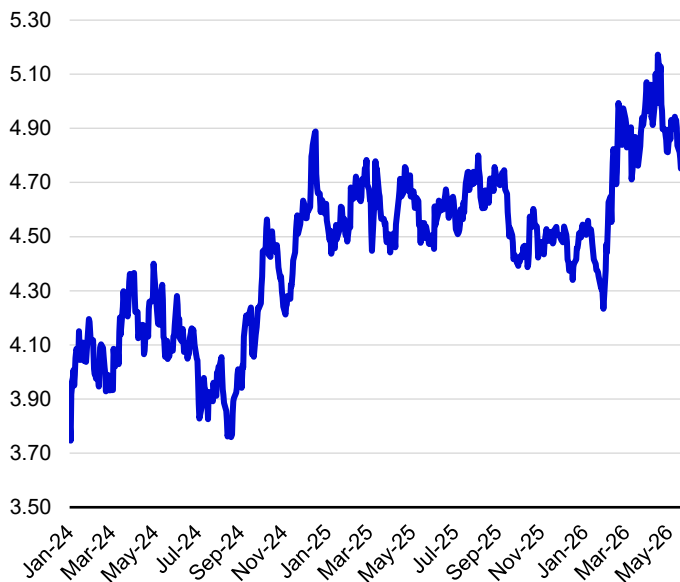
The UK pound dipped modestly as Starmer was delivering his resignation speech but has strengthened a little against the USD.

3. Source: Bloomberg L.P., UK real GDP growth in Q1 2026 was 1.1% YoY. As of 19 June 2026.

4. Source: Andy Burnham, comments to Sky News, June 2025.

UK gilt yields have fallen from a high in May

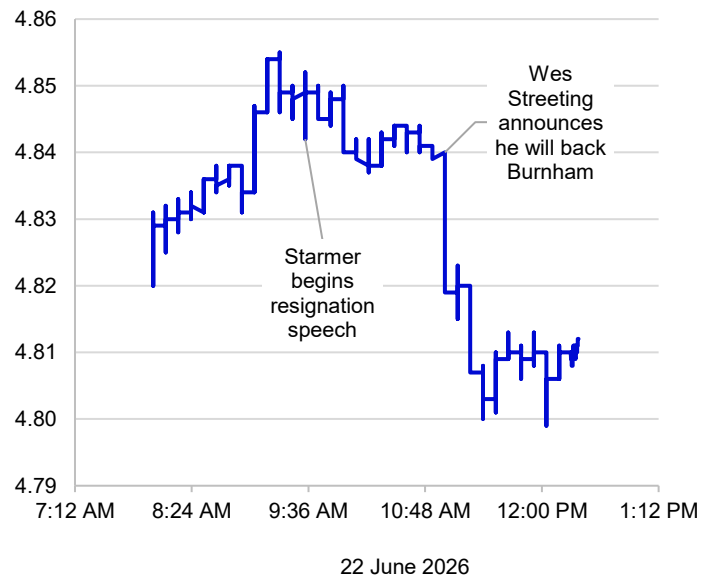
UK 10-year gilt yield (%)



Source: Invesco Strategy & Insights, Bloomberg L.P., as of 22 June 2026

UK gilt yields have fallen since Keir Starmer announced his resignation

UK 10-year gilt yield (%)



Source: Invesco Strategy & Insights, Bloomberg L.P., as of 22 June 2026, 12:40 BST.

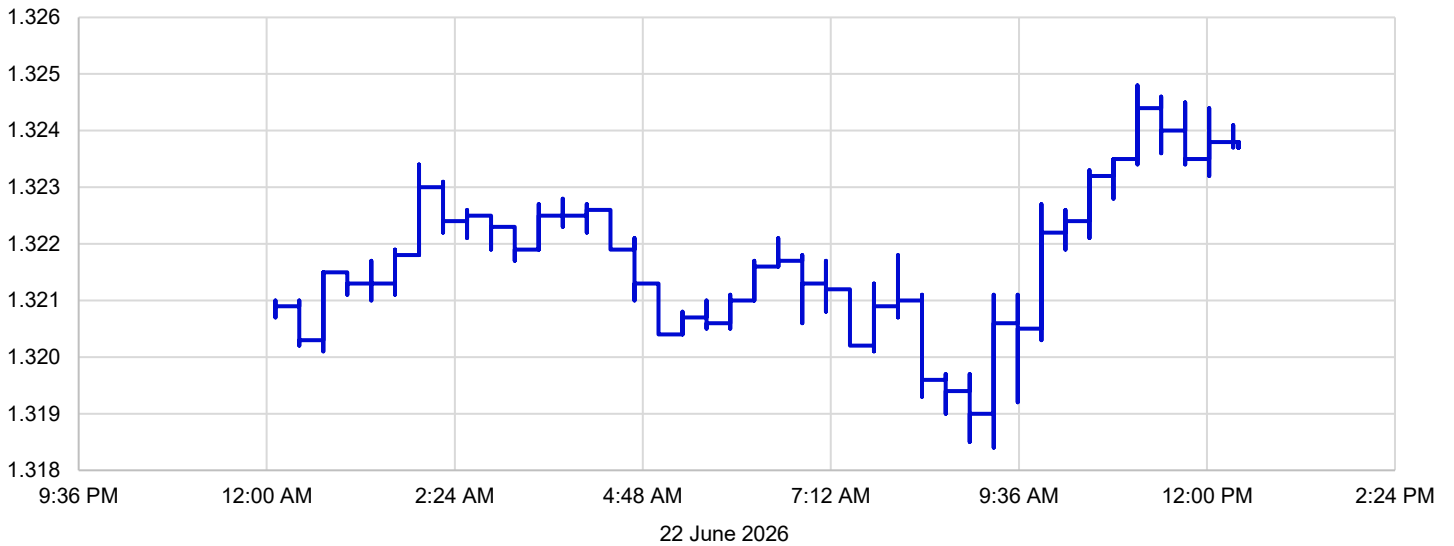
As we write at 12.30 BST on Monday, 22 June, the FTSE 100 is outperforming other European markets, up around 0.4% compared to Friday's close. The FTSE 250 index is very slightly lower.⁵

We read this as a signal that equity markets too do not appear fazed by this news. Smaller and mid-cap companies have more domestically focused revenue streams and are more sensitive to UK gilt yields, in our view.⁵ If we are correct in thinking UK gilt yields fall we interpret that as positive for UK utilities, banks, and homebuilders, for example.

5. Source: Bloomberg L.P., as of 22 June 2026.

UK pound has strengthened slightly since Keir Starmer announced his resignation

UK 10-year gilt yield (%)



Sources: Invesco Strategy & Insights, Bloomberg L.P., as of 22 June 2026, 12:40 BST.

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All data as at 22 June 2026 unless otherwise stated. All data is USD, unless otherwise stated.

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