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## Weekly Market Flash

### Unruly Britannia

May 8, 2026

Ten years ago, in 2016, it was Great Britain that fired the opening salvo in what would come to be recorded as a very disruptive year in global politics. The decision to leave the European Union took place that summer as British citizens stuck it to the man – if only by a couple percentage points – and buckled in for whatever might or might not happen next. YOLO, as the kids were still saying back then. A few months later, Americans likewise flipped off the Establishment as they handed Donald Trump a presidential victory over Hillary Clinton, the living and breathing paragon of the establishment if ever there was one.

### Dead and Buried

Here we go again. Election results for English council seats and the parliaments of Scotland and Wales are still being tallied, but enough of the vote has been counted so far to say that the results are a flat-out disaster for the two parties – Labor and the Conservatives (Tories) – that have dominated UK politics for the entirety of the postwar system. To the right of the Conservatives stands the Reform Party, an ethno-populist movement that is swallowing up the lion's share of the votes being hemorrhaged by Labor and the Tories. As of this writing, with 63 of 136 councils determined, Reform has seen a net gain of 515 council seats while Labor is facing a net loss of 288 and the Conservatives a net loss of 204.

The Green Party, a left-leaning progressive movement, is also adding seats. Its leader, Zack Polanski, pronounced the two-party system “dead and buried” after the Greens won a crucial mayoral contest in Hackney, a borough in Inner London. The Greens are also expected to pick up their first constituency seats in Scotland, where the make-up of parliament is at stake with the overall winner expected to be the Scottish National Party, again displacing Labor. Similarly in Wales, the 30 year rule of Labor is set to end with just 10 or so of the 60 parliamentary seats with the national (Welsh) Plaid Cymru Party and Reform picking up much of the rest.

### Relics of a Bygone Order

We decided to spend some time talking about the UK elections this week because we see this as part and parcel of the same phenomenon we were talking about last week, namely, the widespread and deep-seated disillusion being felt in so many households in so many parts of the world. Last week, you will recall, we highlighted the dismal numbers reflected in the University of Michigan household sentiment report – the lowest in 66 years' worth of data. Well, we got the latest Michigan survey numbers this morning and they are even worse than the previous ones, for a second straight month of record lows. Dissatisfaction with the direction of consumer prices, anxiety about their future prospects and lack of trust in the country's institutions are all in the mix. These are the same sentiments being reflected across the pond today as voters turn their back on the once-reliable two party system of an age gone by.

Here in the US we don't have a parliamentary system, so voters aren't able to throw their support into other parties that would have a reasonable chance to prevail in elections. In the UK, as in much of Europe, these other parties have long played a role as coalition partners when neither major party manages to win outright. But recent polls show a large and growing dissatisfaction by Americans with both of our major parties. Around 45 percent of all US voters now identify as independent, according to Gallup News. That's the highest percentage since Gallup started gathering this data in 1988.

Defenders of this bygone relic of a system may look around them and wonder why anyone should care. Hey, we just got another respectable jobs report this morning from the BLS, with nonfarm payroll gains of 114,000 and a still-modest 4.3 percent unemployment rate. The economy is growing, companies are making scads of money and the stock market seems happy to clamber up whatever wall of worry is put in front of it. All true. But the economy still depends on people, and it depends on a stable political framework in which these people can operate. That framework increasingly appears to be under threat. Policymakers would do well to pay attention to what is happening in Hackey, and Edinburgh, and Cardiff, and figure out how to solve some of the things that are manifestly on the minds of the citizens they serve.

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