

20Apr10 -FOREX-US dollar, yen decline; Canadian dollar soars

- * U.S. earnings outperform, stoke risk appetite
- * Euro remains under pressure on concerns about Greece
- * Aussie, Canadian dollars soar on oil, rate outlook

By Wanfeng Zhou

NEW YORK, April 20 (Reuters) - The U.S. dollar dropped against high-yielding currencies such as the Australian dollar on Tuesday and the yen fell after strong U.S. bank earnings stoked risk appetite.

The Canadian dollar soared after the Bank of Canada signaled it may raise interest rates as early as June and as oil prices gained after some European flights resumed following five days of disruption by Iceland's volcanic ash

. Goldman Sachs <GS.N>, charged with fraud by the U.S. Securities and Exchange Commission last Friday, reported first-quarter earnings nearly doubled [ID:nN20251740]. That boosted optimism about the global economy and knocked the yen off three-week highs versus the dollar hit on Monday.

"It seems like we're seeing a bit of a risk-on approach again. So the commodity currencies like the Aussie and Canadian dollars in particular...are doing quite well," said Gareth Sylvester, senior currency strategist at HiFX in San Francisco.

In late trading, the dollar rose 0.8 percent to 93.15 yen <JPY=>, after hitting a three-week low of 91.58 on Monday. The euro gained 0.5 percent to 125.22 yen <EURJPY=R>.

The yen also fell on the crosses, with Aussie/yen <AUDJPY=R> rallying 1.3 percent to 86.75 and sterling/yen <GBPJPY=R> rising 1 percent to 143.16.

The Australian dollar rose 0.8 percent against the greenback to US\$0.9316 <AUD=>. The Reserve Bank of Australia felt that a coming boom in export earnings meant it could not delay a hike in interest rates earlier this month, minutes of the central bank's April meeting showed.

The hawkish tone to the minutes led some investors and analysts to bet the Australian central bank may raise rates yet again by another 25 basis points as early as May. The Canadian dollar soared, with the greenback last trading 1.6 percent lower at C\$0.9987 <CAD=>, after the Bank of Canada abandoned its conditional commitment to keep rates steady until the end of June, becoming the first Group of Seven country to signal it will raise interest rates.

"This suggests scope for some further strength in the Canadian dollar in the coming months," said Vassili Serebriakov, currency strategist at Wells Fargo. "That said, with speculative long positions on the Canadian dollar already near record highs, we see significant Canadian dollar upside from these levels as unlikely."

In terms of technicals, traders said the currency pair formed a double bottom at around C\$0.9950, a break of which would see an extension of a decline towards C\$0.9830. The euro last traded down 0.3 percent at \$1.3443 <EUR=>, after rising to session highs on stronger-than-expected German ZEW economic sentiment data.

Concerns about debt troubles in Greece and other peripheral euro zone economies like Portugal continue to dog the euro, analysts said.

European Central Bank Governing Council member Axel Weber denied reports that he had said Greece may require assistance of up to 80 billion euros to avoid default, [ID:nLDE63J0FY] Weber said he had simply referred to a provisional figure for a three-year period by the Greek Finance Ministry that had since been revised, and his comments had been misinterpreted.

(Additional reporting by Gertrude Chavez-Dreyfuss; Editing by Leslie Adler) ((wanfeng.zhou@thomsonreuters.com; +1 646 223 6304; Reuters Messaging: wanfeng.zhou.reuters.com@reuters.net)) Keywords: MARKETS FOREX