

What is a pip?

Currency prices typically move in such tiny increments that they are quoted in pips or percentage in point. In most cases, a pip refers to the fourth decimal point of a price that is equal to 1/100th of 1%.

If the EUR/USD moves from 1.0717² to 1.0718²,
the .0001 USD rise in value is equal to one pip

Fractional Pips

The superscript number at the end of each price is the Fractional Pip, which is 1/10th of a pip. The fractional pip provides even more precise indication of price movements.

Pips in practice

If the EUR/USD moves from 1.1025⁰ to 1.1035⁰,
that's an **increase of 10 pips**

If the EUR/USD moves from 1.1035⁰ to 1.1025⁰,
that's a **decrease of 10 pips**

The exception to this rule is the Japanese yen (JPY),
which is quoted to two decimal points:

If the USD/JPY moves from 106.20⁰ to 106.40⁰,
that's an **increase of 20 pips**

If the USD/JPY moves from 106.05⁰ to 105.95⁰,
that's a **decrease of 10 pips**

Calculating the value of a pip

The value of a pip varies based on the currency pairs that you are trading and depends on which currency is the base currency and which is the counter currency.

EUR/USD

If the U.S. dollar is on the right side (counter side) of the pair then one pip is valued at \$1USD per 10,000 traded

$$\begin{aligned} (\text{Size of a Pip}) \times (\text{Base Currency}) &= \text{Pip Value} \\ (1 \text{ pip}) \times (10,000 \text{ euros}) &= \text{\$1USD} \end{aligned}$$

So, using the same example:

- You buy 10,000 euros against the U.S. dollar (EUR/USD) at 1.10550 and you earn \$1 for every pip increase in your favor. If you sold at 1.10650 (a 10-pip increase), you would make \$10.
- If the above circumstances were the same except that you sold at 1.10450 (a ten-pip decrease), you would lose \$10.

Let's look at an example with the U.S. dollar as the base currency, as in USD/JPY

In this case, the value of one pip depends on the USD/JPY exchange rate.

Let's say that the buy price for USD/JPY is 106.20 and your lot size is 10,000:

USD | JPY i

Amount

SELL ▼ 106. 19 ⁰	BUY ▲ 106. 20 ⁸
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L: 105.643 **1.8** H: 106.451

$(\text{Size of a Pip}) / (\text{Exchange Rate}) \times (\text{Base Currency}) = \text{Pip Value}$
 $(1 \text{ pip} / (106.20)) \times (10,000 \text{ USD}) = \mathbf{0.94 \text{ USD}}$

So, using the same example:

- You buy 10,000 U.S. dollars against the Japanese yen at 106.20 and you earn \$0.94 for every pip increase in your favor. If you sold at 106.40 (a 20-pip increase), you would make \$18.80.
- If the above circumstances were the same except that you sold at 106.00 (a 20-pip decrease), you would lose \$18.80.