

1st Hour: How to Calculate Pips & Lot Sizes

What is a Pip?

A **Pip (Percentage in Point)** is the smallest price movement in Forex.

- For **most currency pairs** (like EUR/USD, GBP/USD), **1 pip = 0.0001** (4th decimal place).
- For **JPY pairs** (like USD/JPY), **1 pip = 0.01** (2nd decimal place).

What is a Lot?

A **Lot** represents a standard unit of trading in Forex. There are three common lot sizes:

Lot Type	Units Traded	Pip Value (USD) for EUR/USD
Standard Lot	100,000 units	\$10 per pip
Mini Lot	10,000 units	\$1 per pip
Micro Lot	1,000 units	\$0.10 per pip

□ Formula to Calculate Pip Value

Pip Value = $1 \text{ Pip} \times \text{Lot Size} : \text{Exchange Rate}$

2nd Hour Task: Calculate Pip Value for EUR/USD with 0.1 Lot Size

□ Given:

- **Currency Pair:** EUR/USD
- **Lot Size:** 0.1 lot (10,000 units)
- **Exchange Rate (Example):** 1.1000

Using the formula:

Pip Value = $0.00011 \times 10,000 : 1000 = 0.909$
USD (\approx \$0.91 per pip)

□ **Answer:** For a 0.1 lot trade in EUR/USD, 1 pip is worth approximately \$0.91.