**PIPS**  
  
What is a PIP?

A pip is a measuring value of a financial market asset. It is a basic metric used to determine how much a financial asset moved whether in the upward or downward direction.  
  
In general arithmetic, we have place values e.g. the hundred, Tens and Units

H T U

1. 2 3

This simply means, we have 1 hundreds, Two tens and 3 units.  
  
Similarly, in the financial markets e.g the forex market, we use the pip and pippetes. Pairs that have JPY in them are usually slated in Three decimal places (or 3d.p.) while the other forex pairs are slated in five decimal places (or 5 d.p.).  
  
No matter the pair, worthy of note is that the last decimal place is the pippete, while the second to the last decimal place is the pip.  
  
E.G. Lets take a price point in USD/JPY 109.285  
  
The last decimal place has a value of 5(ie the 3dp) and hence is the pippete value ie 5 pippetes.

The second to the last decimal place has a value of 8(ie 2dp) and hence is the pip value ie 8 pips.

Another example given

Let’s take a price point in GBP/USD 1.21763  
  
The last decimal place has a value of 3(ie the 5 d.p.) and hence is the pippete value ie 3 pippetes.

The last decimal place has a value of 6(ie the 6 d.p.) and hence is the pip value ie 6 pips.

From the analogy above, we can see that   
1 pip = 10 pipettes  
  
Also 1 pip = 0.01 in a 3 d.p. pair E.G. EUR/JPY  
while 1 pip = 0.0001 in a 5 d.p. pair E.G. GBP/AUD  
  
While 1 pip = 0.001 in a 3 d.p. pair E.G. AUD/JPY  
while 1 pip = 0.00001 in a 5 d.p. pair E.G. EUR/NZD

Let’s crunch the numbers.

If the price of GBP/NZD move from 1.67100 to 1.67550, what is the difference in move and how many pippetes and pips were moved?

Answer

The difference between 1.67100 and 1.67550  
  
 1.67550

-1.67000  
 = 0.00550  
  
Hence, it moved a total of 550 pippetes and 55 pips. And this is positive in the buy direction

Another example given

If the price of USD/JPY moved from 114.820 to 114.310, what is the difference in move and how many pippetes and pips were moved?

Answer

The difference between 114.310 to 114.820

114.820

-114.310

=0.510

Hence, it moved a total of 510 pippetes and 51 pips. And this is positive in the sell direction.